

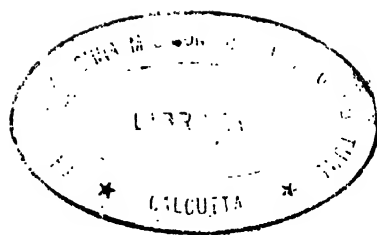
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# **THE DANGERS OF DEMOCRACY**



THE  
DANGERS OF DEMOCRACY

STUDIES IN THE ECONOMIC QUESTIONS  
OF THE DAY

BY THE LATE  
THOMAS MACKAY

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EDITED, WITH AN INTRODUCTION BY  
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## INTRODUCTION.

THE contents of this book have been selected from contributions to the 'Quarterly Review' by the late Thomas Mackay,—written between the years 1894 and 1909,—in which he discusses the social problems of the day and criticises the attempts made to solve them by Act of Parliament. It must be admitted that the conclusions to which he was led by his life-long study of social questions are not altogether in harmony with what appears to be the popular sentiment upon the subject, but the matter at issue is of vital importance to the Community, and the fact that the views of one so well qualified to form a sound opinion are for the moment unpopular and therefore likely to be ignored, makes it all the more desirable that public attention should be directed to them.

The records of daily life show with painful insistence that the social difficulties treated of in this volume continue to threaten the prosperity of the Nation, and that the necessity for dealing with them is even more urgent now than when these chapters were written. As yet there is but little evidence that the tremendous significance of the changes now taking place in our social life is appreciated either by the public or by the Government. Measure after measure of what is called Social Reform is brought forward and placed upon the statute book with a light-hearted disregard of the teaching of social history and past experience, which is of evil omen



for the future of the country. No doubt men, immersed in the absorbing business of party politics,—have but little time, even if they have the inclination, for study of the past; and since, unlike all other professions, no special preparation is considered necessary for those who undertake to rule the country, there can be no assurance that they have the knowledge indispensable for wise handling of the vast forces they deal with, or for judging of the effect of the social legislation they introduce.

Unhappily the recklessness of our rulers is not likely to be restrained by the common sense of the people; the average citizen takes but little notice of the never-ceasing change going on in our social organisation, and is not in the habit of comparing the present with the past condition of society: thus both the rate and the direction of the great movements now in progress are unheeded and the nation goes on its way unconscious of the dangers that beset its path.

If we compare the present position of Trade Unionism, Democratic finance, wages, and the Poor Law,—with that in which these questions stood when the last of these pages was written <sup>1</sup> we see that in all of them change,—of a kind which must largely increase the difficulty of dealing successfully with them,—has been going on with alarming rapidity.

In the trade union world, the partial success of the propaganda of Syndicalism in this country has added to the complexity of the problem of the reconciliation of the legitimate aspirations of

1. The last article was written in 1909.

wage-earners with the maintenance of industrial prosperity.

In their management of national finance the Government have shown how completely they have thrown to the winds the economical principles that guided the Liberal party in the past and seem bent upon proving that democratic finance is synonymous with reckless extravagance.

The question of the earnings of working men is still confused and hampered by the persistent intrusion of that economical will-of-the-wisp, the "minimum wage," whose charms seem to be more attractive than ever; the Government stoutly deny that they have succumbed to her allurements, and at present refuse to join the Labour members in the economical morass in which that party is floundering; but by the Coal Mines (Minimum Wage) and Trade Boards Acts they have shown that they are by no means proof against the temptation to gratify a section of their supporters by extending the principle to industry in general.

In the province of the Poor Law the contest as to the principles upon which it should be administered continues with unabated vigour; both sides propose to modify the law to suit the susceptibilities of the present day; but whilst one side hopes to secure depauperization by encouraging self-help and independence—the other side, rejecting with scorn the idea of 'self-help,' proposes to treat the problem of poverty homeopathically, and hopes to cure the evil of pauperism by the offer of State help upon attractive terms to all who find the struggle of life arduous and unpleasant.

One of the many causes which have helped to produce the existing social agitation is the vast growth of wealth and its wide diffusion in recent years. One result of this has been to add so largely to the ranks of the well-to-do that their number gives political weight to their demand for legislation to relieve the suffering of the poor to which they are keenly alive.

The sentiment which inspires this demand is admirable, and is itself a sign of advancing civilisation, but the public have no adequate conception of the extreme difficulty and intricacy of the problem to be solved, and do not therefore realise the evil caused by ill-considered social legislation, or the probability that its effect may well be to increase, rather than to diminish, the evils they wish to remove. Again there is the danger caused by the assistance given by this legislation to the projects of persons whose theory of social organisation is incompatible with the continued validity of the principles of private property and of individual freedom on which our existing society is founded. The reality of this danger is obvious, since every addition to what is called 'social reform' legislation involves an increased demand upon the taxpayers, and thus diminishes the productive capital of the country, curtails individual liberty, and adds to the already great army of State officials. Each such Act therefore is a step towards the establishment of the social conditions advocated by those whose creed is, that the 'State' should own all capital, should direct the life and labour of its citizens, and should provide for their requirements.

It is not in the least likely that such an ideal, even if it were realizable, would be attractive to any but a negligible minority of the inhabitants of this country ; but the danger that the Democracy, influenced by kindly sentiment, may continue to encourage the distribution of State charity until serious injury is done to the highest interests of the community is a real and serious one. England is a rich country, and, thanks to the constantly widening distribution of wealth which has accompanied the growth of its prosperity, the great majority of its population is now above the class to which the offer of State charity is a dangerous temptation. A long period therefore may pass before a perilously large number of citizens have lost their independence and before increasing taxation has transferred so large a proportion of the earnings of the people from fruitful employment by its owners, into the dead hand of the State, as to cripple the resources of the country to a dangerous extent, to check enterprise and so destroy the demand for labour. But the continuance of this safeguard against the temptation offered by State alms can only last so long as the prosperity of the nation and the diffusion of wealth continues. Every check to prosperity and the consequent diminution of the sum distributed in wages, increases the number of those to whom State alms offer an attractive alternative to self-help ; many are certain to succumb, and the fact that this insidious degradation of national character is imperceptible to the general public, adds greatly to the danger. Years in the life of a nation count for less than days in that of an individual, and though the progress of

the evil may be slow, it is sure, and unless the British public awakes betimes from the vain dream that the evils of poverty can be removed by the endowment of dependence, not many generations will have passed away before the country will find itself plunged in the Serbonian bog of State Socialism. It is to be hoped that this awakening may occur in time; when once the people are roused, and become alive to the peril, their traditional common sense may be trusted to find a means of escape.

Mackay was keenly alive to the danger of an extension of State assistance, and no writer has treated the subject with wider knowledge or keener insight, or with truer sympathy with the poor. His constant aim was to discover how social advance might best be secured, and how the evils of poverty might most effectually be surmounted, and his position enabled him to devote his time to these objects. In early life chance threw him into close touch with the administration of the Poor Law, and led to a study of its history and theory, which in after years made him so great an authority upon the subject; at the same time he became a member of the St. George's-in-the-East Committee of the Charity Organisation Society, and was thus able to gain an intimate knowledge of the life and surroundings of the poorest classes. As a writer his possession of the great literary gift of an admirable prose style enabled him to place his conclusions and the reasons which led him to adopt them before his readers with a lucidity and elegance which materially relieves the study of a difficult and intricate subject.

With Sir Henry Maine, Mackay, held that the transition from 'status' to 'contract' in the relations of men with each other is both a proof of human progress and an essential condition of its continuance, and he attributed the great advance made by this country during the 19th century, in material prosperity and a more general diffusion of wealth, to this change in social relations. But freedom of contract cannot exist in the absence of individual liberty, and Mackay was acutely conscious of the difficulty of securing the maintenance of personal liberty under a democracy, rapidly increasing in material wealth, impatient to remove the evils of poverty, and unconscious of the perilous nature of such an enterprise. He was quick to detect the danger to the cause of social advance concealed in popular Acts of Parliament, and in rash projects of soi-distant 'social reform,' and was always ready to expose the social and economical fallacies upon which this legislation and these projects were founded.

As a general proposition the necessity for careful and scientific examination of proposals for social legislation would be admitted by most people, but the trouble is to induce the public to listen to the reasons which make this an imperative duty, and to insist upon its performance by those entrusted with the control of national legislation. The mere suggestion that there is anything difficult or dangerous about the relief of the poor comes as a surprise to the average citizen who cannot imagine why such a pothole should be made about so simple a matter. He sees that the poor suffer while he

himself lives in comfort, and his conscience urges him to make sure that their suffering is relieved. The questions as to how the relief should be administered and as to its effect upon the recipients' character give him no concern. To him the matter presents itself in the form of a simple syllogism: the poor suffer; money will relieve them, the conclusion is obvious, and having submitted cheerfully to the necessary taxation, he is apt to think that he has done his duty and that there should be an end of the matter so far as he is concerned. It is intelligible therefore that the average citizen should be loth to listen to those who tell him that the question he thinks so simple and so easily disposed of, is in reality one of the most intricate and dangerous problems that threaten the progress of humanity. Again any attempt to deal with social questions scientifically by the light of experience and the lessons of the past is repugnant to members of both the great political parties, who feel that the result might very probably be the condemnation of a policy which now provides them with a popular platform, and a means of bidding against their rivals for popularity. No public man is anxious to commit political suicide, and this, in the eyes of politicians, would be the certain result of advocating social doctrines repugnant to the public sentiment of the day.

It is clear therefore that the task of inducing the public to give serious attention to the national danger involved in ill-considered social legislation is an extremely difficult one, and this difficulty is enhanced by the fact that although the relief of

social distress is a subject which especially calls for calm and dispassionate consideration, its appeal to the emotions makes it particularly hard to obtain it. In Mackay's presentment of social problems there is no trace of heat, and the calm and temperate way in which he states and supports his opinions should do much to conciliate opposition and secure a fair hearing for his arguments. His writings have had a wide circulation and have been a source of light and guidance to many who are alarmed at the tendency of recent legislation, but who find themselves baffled and bewildered by the complexity of social life when they attempt to define the cause of their alarm or to give reasons for the doubts they feel. Dread of the advance of bureaucracy is spreading widely, and the latest triumph of State Socialism, the National Insurance Act, has seriously alarmed classes that have hitherto remained unaffected and unconscious of the rapidly-growing menace to personal liberty. In this perception lies the best hope for the future. A reasoned statement in print of the case against rash social experiments is valuable educationally and also as an armoury whence arguments may be drawn by those who are fighting for the cause of liberty; but the number of persons who will read and consider the printed word is, in comparison with the population, insignificant, and the direct influence of books and articles is correspondingly limited; what is necessary to arouse the attention of the general public is an object lesson in the practical working of State Socialism, and its effect upon individual liberty; the rapid progress back to mediæval condi-



tions of servitude that is now being made under the specious disguise of 'social reform' would then become clear to all. It seems probable that this much-needed enlightenment may be provided by the National Insurance Act. This Act has already shown how State Socialism,—beginning with the poorest classes,—tends to draw higher grades of the community within its paralysing grasp: under its operation many members of one of the noblest and most intellectual professions, have been partly cajoled and partly forced to exchange freedom for servitude, and compelled to accept the rate of pay at which the State assesses the value of their services. When the profession at last realised the menace to their liberty they made a gallant fight, but the end was inevitable, and their resistance only served to show that a Government backed by a subservient majority in the House of Commons and possessed of unlimited patronage, is as irresistible morally as it is physically.

This Act is the boldest attack that has been made upon the liberty of the subject since the days of the Stewarts, and the danger to the country is not less, but greater, because it is made by King Demos in place of King Charles. Under its operation wage-givers are compelled to act as tax collectors, wage-receivers are forced to spend a large percentage of their earnings, not as they themselves choose, but as the State dictates; the magnificent institutions raised and maintained by the people to guard themselves against the evil chances of life, have been reduced from their splendid independence to subservience to the State, and,—worst of all,—whatever may be the

grievances they suffer under this Act the people have been to a large extent deprived by the Act itself of their right of appeal to an impartial tribunal for redress. But, as suggested above, the evil may bring with it its antidote by inducing a people to whom freedom is the most precious of possessions to organise an effective resistance to the encroachments of bureaucracy, while yet there is time.

As has been said, events have moved quickly during the past few years, and the social policy against which Mackay strove so stoutly, has developed with unexpected rapidity. His friends may feel thankful that he has been spared the mortification of seeing mediæval conditions of status reimposed by an Act passed in the 20th century under the auspices of a ' Liberal ' Government !

ARTHUR CLAY.

## CHAPTER I.

### THE METHODS OF THE NEW TRADE UNIONISM.

IDENTITY OF THE NEW TRADE UNIONISM WITH SOCIALISM.—THE NORWICH TRADE UNION CONGRESS (1894) AND THE IDEALS OF THE NEW TRADE UNIONISM.—NEO-RADICAL VIEW OF THE LABOUR MOVEMENT.—THE PERPLEXED POLITICIAN.—MENACE TO CIVILISATION AND PROGRESS.—PRESENT ORGANISATION OF SOCIETY A NATURAL SPONTANEOUS GROWTH.—THE HARMONY AND ECONOMY OF THE EXISTING SYSTEM.—THE SAILORS UNION AND MR. HAVELOCK WILSON.—THE SCOTTISH COAL STRIKE, 1894.—DEMARCATIION DISPUTES.—THE TYRANNY OF TRADES UNIONS.—THE SUPREME NEED OF THE HOUR.

No elaborate explanation of the present unrestful relations between labour and capital is necessary. The controversy between the 'haves' and the 'have nots' is world-old and perennial. There is in our midst a population which by choice or by necessity lives from hand to mouth; in a word, a proletariat. Side by side and in marked contrast is to be found a property-owning class, maintaining itself, in part at all events, on accumulated wealth, or on the rents and profits derived from a private ownership of land, machinery, and the other instruments of production. The position of the property-owner (we can find no nearer English equivalent for all that is implied in the word *bourgeois*) is obviously superior to that of the proletariat. He has some-

thing beyond his labour on which to fall back. The whole problem of modern society is summed up in the question : Can this proletariat acquire the security and contentment which now belong to the property-owner, by any method other than that which has been followed by the property-owner himself? Is it possible, in the interest of the proletariat, to devise any new tenure of property, which will absolve them from the task of patient, industrious, and self-sacrificing accumulation, or from the anxiety, hardship, and frequent disappointment which too often dog the course of more adventurous and speculative endeavour after riches?

The new Trade Unionist—who, as we shall presently show, may, for the moment at any rate, be identified with the Socialist—has a specious programme for distributing the advantages of property to the proletariat, by the intervention of collectivism. With a section of their class, which in the last few years has rapidly increased, up to the present time, when we seem to see the beginning of reaction, these promises have had great influence. Drowning men will catch at straws. The material fact of the divorce between property and numbers accounts for the present attack on the private ownership of capital. The theories of Socialism have but little initiative influence on the situation. The following quotation from a Trade Union report, given in Mr. and Mrs. Webb's book,<sup>1</sup> illustrates

1. 'A History of Trade Unionism,' by Sidney and Beatrice Webb. Longmans Green & Co., 1907.

aptly the real nature of the discontent :—

‘The workman may be ignorant of science and the arts, and the sum of his exact knowledge may be only that which he has gained in his closely circumscribed toil; but he is not blind, and his thoughts do not take the shape of daily and hourly thanksgiving that his condition is not worse than it is; he does not imitate the example of the pious shepherd of Salisbury Plain, who derived supreme contentment from the fact that a kind Providence had vouchsafed him salt to eat with his potatoes. He sees the lavish display of wealth in which he has no part. He sees a large and growing class enjoying inherited abundance. He sees miles of costly residences, each occupied by fewer people than are crowded into single rooms of the tenement in which he lives. He cannot fail to reason that there must be something wrong in a system which effects such unequal distribution of the wealth created by labour.’

We might pause to moralise on the decay of the old ideal of a noble, spiritual independence, rising superior to material conditions, and to express a passing word of regret over a change of view which surely will not increase the contentment of the nation. Still, the above passage is a fair sample of the argument which not unnaturally influences the mind of those who feel themselves to be the victims of circumstance. Envy, ambition, the sin by which the angels fell, are natural; it is idle to condemn them. Let us find in them commendable aspects, and regard them as the source of progress and the legitimate motive for self-sacrifice and effort. Let us only be certain that the right steps and not the wrong steps are taken, to bring us out of the evils and inconveniences of our present trouble.

There are special reasons why this perennial

feeling should, at the present time, blaze forth with unusual violence. In earlier times, education and political power were the privilege of the owners of property. The property-owning classes governed the country. The justice and necessity of the private ownership of property had not been called in question. The statesman of that day represented a class which had no doubt on the subject. The position of the poorer classes seemed more inevitable, and was, perhaps on this very account, less irksome. Industry was pursued with less intensity, and more contentment was derived from a humble and subordinate position in life. Circumstances have now changed. Education of a kind has been given to the poor, and the political emancipation of the masses is complete. Wages have risen, the cost of the necessities of life has fallen, and education has been made a public charge. If the whole of the labouring class, or such portion of it as enjoy an average amount of good health and regular employment, were capitalising the margin of advantage which they enjoy over their less fortunate predecessors, the problem would be within a measurable distance of solution. Will the bitterness of the present outcry prove to be another illustration of the law to which Mr. Herbert Spencer has called attention, that when things begin to mend, the louder grows the complaint about their badness? To the candid reader of M. Leroy-Beaulieu's masterly work, '*Essai sur la Répartition des Richesses, et sur la tendance à une moindre inégalité des conditions*,'<sup>1</sup> the situation will appear hopeful.

1. Paris : Guillaumin et Cie.

That distinguished writer has established, beyond the shadow of a doubt, the thesis suggested by his sub-title.

Unfortunately, however, as we think, the leaders of working-class opinion do little or nothing to enforce the supreme importance of this orderly transmutation of the proletariat into a property-owning class. It is a method of emancipation, arduous and uncongenial. Yet it cannot be truly said that working-class leaders are lacking in the courage to recommend, at times, unpalatable truths. Mr. Delves, in his presidential address to the Norwich Trade Union Congress, warned his hearers 'that they had more to fear from drinking and gambling than from all the capitalists put together.' The whole recent history of strikes shows the willingness of the working class to suffer in a cause which has fired their enthusiasm. What then, we may well ask, are the ideals which, in their programme, take precedence of the tangible results of the policy that is indicated by the yearly expanding record of Friendly Society and Savings Bank deposits?

The Trade Union Congress must be held to speak with representative authority on such a subject. At its Norwich meeting, in August last, it passed, 'with but few dissentients,' a resolution advocating the 'nationalisation of land and the whole of the means of production, distribution, and exchange.' Mr. Delves, whom we have already quoted, declared that they must rely on political action and Trade Unionism for redress of their wrongs. 'Legislate,' he added, would become

more and more their watchword; 'the only direction in which they could look for the ultimate solution of industrial problems was that of Collectivism'; and Mr. Tom Mann declared that 'collectivists were the pioneers of Trade Union principles.' To turn to a more academic exponent of these new theories, we may refer to a volume entitled 'The Labour Movement,'\* by Mr. L. T. Hobhouse, Fellow of Merton College, Oxford, which is introduced to us with a preface of approval from the pen of Mr. R. B. Haldane, Q.C., M.P.,<sup>1</sup> a gentleman of light and leading in the neo-Radical camp. The labour movement advances, he tells us, by the three methods of 'Trade Unionism, Co-operation, and State and Municipal Socialism.' These 'have in essentials one and the same end to serve.' To show that this end is Collectivism, we may quote, from the same authority, the doctrine that 'rents, interests, and profits are the national reservoir from which wealth is to be drawn for all public purposes.' 'In this way' (*i.e.* by taxation) 'we should make rent and interest pay for their own extinction. . . . There would be no spoliation, but readjustment of taxation on a new principle.' It will be objected, that not even the recognized authority of a junior Fellow of a College can invest these speculations with practical importance. In order, therefore, to escape the charge of trifling, we must point out that the basis of the 'new principle' has been championed by the Chancellor of the Exchequer in his famous letter to the 'Times.' Private property, he argued, is only enjoyed by the sufferance of the State; and the State therefore is justified in resuming possession

1. Now the Rt. Honorable Viscount Haldane.



as often as the Executive finds it necessary to provide for its political supporters that which our American cousins euphemistically call 'boodle.'

Trade Unionism then and State Socialism are the militant arms of the new Utopia. Trade Unionism is the proper subject of this article, but a preliminary word may here be said on the other arm of the service. Our political system was fashioned in a time when the Executive derived its power from an electorate which accepted without question the principle of private property. Tacitly controlled by this fundamental axiom, the Executive wielded, on the whole with moderation, a power of taxation which theoretically may have been absolute. A State so conditioned may have interfered, at times, unwisely with the development of that larger living organism which we call Society, but its power was too circumscribed to enable it to conduct revolutionary experiments with the fundamental bases of our associated life. The situation is now altered. Under the stimulus of a new ambition the masses have realized their power; and if Trade Unionist and Socialist policy becomes paramount, the Executive will be inspired by motives and theories which are incompatible with moderation.

Parties have not yet adapted themselves to this new force in politics. Occasionally a Mr. Illingworth awakes, like Rip Van Winkle, to realise that the successors of the party of Cobden and Bright have derived their political science from the practice of that popular hero, Robin Hood. However admirable in Sherwood Forest, this, Mr. Illingworth thinks, will hardly do for regulating the affairs of

forty millions of people at the end of the nineteenth century, and so he makes his bewildered exit from the political stage. Mr. Morley remains attached to his present colleagues by the mere accident that they entertain the same ideals for the Misgovernment of Ireland. Nor does the Conservative party seem to realise that we are at the parting of the ways. We cannot put the perplexed politician's view more clearly than by making the following extract from the 'Standard' for October 26, 1894 :

'Answering the complaint of some old Conservatives that the Unionist Party had become Radical, Mr. Long said these gentlemen forgot the great social revolutions of extended franchise, and asked, was it likely working men would go on working with a party which offered no hope for the future to them? Unionists were prepared to legislate on many important social problems, including Poor Law reform, old-age pensions, enabling working men to purchase their houses, employers' liability, and registration.'

According to this naïve declaration, English statesmanship is come to such a pass that no Government which will not pledge itself to a redistribution of property by means of taxation has a chance of finding itself acceptable to the constituencies. Surely this is not a question of old or new Conservatism; it is an all-important decision, for these trifling concessions are but the beginning of a new system of politics: it is the acceptance or rejection not of a mere political constitution, but of the whole fabric of existing civilization.

In sober truth, the authority of the Executive has become a Frankenstein's monster, a standing menace

to that which we have hitherto been accustomed to regard as civilization and progress. We can survive Robin Hood, we can survive and have survived much unjust legislation, but, if political parties are to be turned into companies of frenzied knights errant, riding hither and thither in search of adventure which will win them approval from the Dulcineas of Trade Unionism and Socialism, the doom of modern civilization is at hand.

The doctrine of delegacy is practically supreme, and politicians, even if they had the will, have not the power to extricate themselves from this position. Our appeal, therefore, must be to public opinion, to the public opinion of a people whose ears are deafened by the noise of the hustings. The outlook is not hopeful; still those who, happily for their clearness of vision, are not entangled in the perplexed empiricism of practical politics, have an obvious duty before them, to think these problems out for themselves, to adhere stubbornly and without compromise to the truth as they see it.

Returning from this, not, we submit, irrelevant digression, we come to the proper subject of this article; but, before considering in detail the method of Trade Unionism, we must say a few words on the present order of society, which Trade Unionism, with the assistance of State Socialism, is pledged to overthrow. The contrast between that which exists and that which is to be its substitute forms an integral part of our subject.

The present organization of society is, in the main, a natural organization; it is the result of ages of spontaneous growth. If we consider the social

actions of mankind, we shall see that a very small proportion of them are directed or even influenced by the operation of law. They proceed from the free initiative of the individual, from the associative instincts of the family, from the mutual interdependence due to a subdivision of labour, and from man's natural aptitude for exchange. There is no reason to suppose that, if government and law were abolished, this natural order of society would be largely, or at all, modified. Historically and philosophically the State is merely an incidental and minor development of society, for certain administrative purposes. If then we are to stand upon the old ways and to adhere to the constructive principle of our present civilization, society must continue, in the main, to satisfy its wants by the automatic movements of the units which compose it: that involves a recognition of private ownership in a man's person and property, and the necessary corollary therefrom, the right of exchange. Industry and the rewards of industry must continue to be guided by the action of the laws of demand and supply. If supply exceeds demand (the freely expressed demand, that is, of the public which composes society), the storm-signal of a glutted market is at once hoisted, warning those concerned to decrease the application of industrial energy to this particular point. If, on the other hand, demand exceeds supply, the enterprise of capital and labour is attracted to the spot. Herein lies the harmony and economy of our present system. Passing by the objection that, after all, we have no reason to assume that a cessation of hardship is part of the

pre-ordained order of events; and still entertaining, as a matter of legitimate aspiration, some faith in human progress,—as apologists for the present order, we may maintain that our shortcomings are due, not to any inherent unsoundness in the principle of private property and liberty of exchange, but to other causes, among which must be ranked the grudging appreciation, and at times direct repudiation, with which society has received these vital and organizing truths. Nay, we may go further, and assert that our ideal is the same as that of the Socialist, but that we are persuaded that the only community of enjoyment which human nature is capable of reaching is to be obtained through a free exchange of services performed voluntarily by fully civilized, that is, regarded in this connection, property-owning men.

This, then, is the system which the new Socialism asks us to abandon. What is it that we are to receive in its place? We pass without further remark over the legislative portion of the programme. The subject is handled with his accustomed lucidity and force by M. Leroy-Beaulieu in his work on *Collectivism*.<sup>1</sup> The reader rises from a perusal of this masterly criticism with a feeling of wonder that elaborate refutation of a system which is simply unthinkable should be required. We are confirmed in our opinion that this controversy derives its heat, not from any reasoned belief in the

1. *de Collectivisme. Examen critique.* Par Paul Leroy-Beaulieu. 3me édition, Paris, 1893. 'Collectivism,' by Paul Leroy-Beaulieu. Translated and abridged by Sir Arthur Clay, Bart. John Murray, 1908.

deliverance promised by Socialism, but from the unsatisfactory condition in which a portion of our population still lingers. The crisis does not require more refutations of Socialism, but rather popular and convincing presentation of the true theory of society,—the society to which, with all its shortcomings, we already owe so much. If counsels inspired by even a dim recognition of the true principle of progress evoked but a tithe of the enthusiasm devoted to their present hunt after shadows, the working class would soon be the arbiters of their own destiny.

Let us now consider the part which the New Unionism aspires to play in the Collectivist policy.

First, it must be observed, the Trade Union is not a voluntary association. It is the avowed intention of the leaders of the movement to make the New Unionism compulsory and all-embracing. 'We shall hereafter' (not, so far as we can discover, in their present volume) 'have occasion to show that this universal aspiration of Trade Unionism—the enforcement of membership—stands, in our opinion, on the same footing as the enforcement of citizenship.' So write Mr. and Mrs. Sidney Webb in their 'History of Trade Unionism.' This proclamation of the doctrine of Passive Obedience is characteristic of the whole attitude of the New Unionists. As we shall show, their theory and their tactics alike assume the right to exercise coercion against all who dissent from their views. What then are these infallible associations which assume these tremendous responsibilities? According to an estimate based on the latest official figures,

they comprise 11·3 per cent. of the adult male labouring population of the country. A number of persons meet and constitute themselves a union for a particular trade. This action is held *ipso facto* to give them a monopoly of the trade in question, and they forthwith are invested with sovereign authority to oblige all workmen to join the society and to contribute to its expenses, to dictate terms to employers and employed, and, in a word, to regulate every detail of the industry. Let us now briefly consider what are the relations of these Unions to each other and to the public at large; what their attitude to their own members and to those who, in the exercise of their discretion, decline to be members.

Theoretically, there exists somewhere (*in nubibus* only, we fear) a union of unions, a vast harmonious federation of all forms of labour, but the forging of these bonds of universal brotherhood is not complete. At present we can only judge of the ultimate finished product by studying the temper, the principles, and the methods which these saviours of society bring to bear upon their task. We cannot begin better than by following, in brief outline, the genesis and early career of one of the most famous of these organizations.

In 1879 a Sailors' Union was started in Sunderland, called shortly the North of England Society. This seems to have been one of the old-fashioned Unions. It is said to have conducted its affairs in a way that secured the respect and co-operation of the shipowners with whom its officials had to deal. In 1883 there was a great depression of trade;

hundreds of ships were laid up, and, as a consequence, wages were reduced all round. About 1887 freights began to improve, ships were put again into commission, and, in the course of events, wages rose again to their former level. In the meantime, however, Mr. J. Havelock Wilson, now M.P. for Middlesbro', who then kept a coffee-house in the High Street of Sunderland, with a large room behind it where meetings could be held, had started an opposition Union, now known as the National Amalgamated Sailors' and Firemen's Union of Great Britain and Ireland. At first, it is stated, Mr. Wilson's Union was looked upon by all parties as only an adjunct to his business. We cannot accept the suggestion sometimes put forward that Mr. Wilson is nothing but a self-seeker. On the contrary, we do not believe that motives of personal aggrandizement alone could ever induce a man to pursue a merely selfish end by the methods which we are about to describe. Nothing but a blind and fanatical belief in his mission can produce a Mahdi, a Spanish inquisitor, or, we may now add, a Trade Union leader of the new model. Be that as it may, his enterprise was favoured by the fact that trade was reviving, and, by himself and by his adherents, the rise of wages was attributed to the action of his Union. His pretensions rapidly increased, and branches were opened in various ports. In 1889 a determined attempt was made to compel all sailors sailing from British ports to join this Union. The shipping offices were heavily picketed, and the non-Union men trying to enter were in many cases ill-used and threatened. The Union men next,



choosing as a rule the moment of the ship's departure, refused to sail with non-Union men, and masters not unfrequently gave way and discharged the non-Union men, rather than face the penalties and expense of delay. If by chance non-Union men obtained a berth, they were abused and boycotted by the Union men till they were forced to contribute to the aggrandizement of the Union and its officials. The action of the Union towards foreigners was even more cruel and unjust: so at least it must seem to those who are not inspired by the frenzy of the Socialist devotee. Foreign sailors, many of them excellent, steady men, who had been sailing in English vessels for years, were condemned, according to a printed tariff issued by the Union, to pay as blackmail sums varying from £5 to £20, before they were allowed to follow their calling. All this was represented by Mr. Wilson as a magnificent example of the voluntary co-operation of free men, and, though it may seem to strain the frenzy theory, it is possible that he believed it.

The next episode in the rise of Mr. Havelock Wilson was the attempt made in the end of 1889 to compel the old North of England Society to join his Union. For this purpose a determined 'boycott' was directed against its members. This failed, and the next move was to get the London Coal Porters' Union to refuse to discharge vessels which were not manned by his (Wilson's) Union. This, if successful, meant ruin to the North of England Union, for its members were almost exclusively employed in this trade. About this time, and with a view of strengthening themselves against these attacks, the

older Union opened branches at South Shields and elsewhere, and employed, a man named Abbott in connection with these extensions. To this man, it is alleged, forged telegrams were sent at the instigation of Mr. Wilson's Union, in order to entrap him into an interview with shipowners, and so discredit him with the members of his Union. It is a confused story, and may be read in the evidence tendered to the Labour Commission.

It is worth mentioning, as apparently forged documents have a way of appearing in support of the interest of this Union : for in the last year, 1894, the Shipping Federation was offering a reward for the conviction of the utterer of a letter purporting to come from their office. A copy of this forged circular, in which the Shipping Federation is made to boast that it had reduced wages and intended to reduce them still further, came somehow into the hands of a press correspondent to whom the forgery was of course obvious, and the matter has been made public. The forged document was accompanied by a covering letter in which the following extraordinary sentence occurs: 'I send you a circular picked up from the Shipping Federation. I want you to read it to the men on board ship, but don't allow it to go out of your hands, or the man who gave it to me may get into trouble. Keep it private, and do not let the press have a copy. Please be careful about this.' This letter is signed 'J. H. Wilson, per T. A. H., General Secretary.'

To return to our narrative. The war between these two Unions after many vicissitudes came to an end by the submission of the North of England

Society; and in the beginning of 1890, in order still further to strengthen his position, Mr. Wilson started another Association, called the Masters and Officers of the British Mercantile Marine Association, and sought to compel all certificated officers and masters of the United Kingdom to join. Mr. Wilson, who already was the practically irremovable Secretary of his own Union, was appointed manager, and a rule was passed that 'the general manager shall have the entire working and control and supervision of the Union and branches as fully and as effectually as if he were the acting manager of a large business.' This seems to have been the culminating point in Mr. Wilson's career. The shipowners felt bound to exert themselves to avert the ruin of their trade, and took steps to form what is now known as the Shipping Federation. Mr. W. M. Roche, a Sunderland solicitor, from whose evidence before the Labour Commission much of the foregoing narrative is taken, was consulted by both the Shipowners' and the Shipmasters' Associations. He told them that they must combine at once, that he knew the seamen themselves were groaning under the arbitrary management of the Union, and that, so soon as a firm stand was made, the tyrannous power of the Union would be broken. 'And,' remarks Mr. Roche, 'it has happened just as I advised.' When the monopoly usurped by Mr. Wilson's Union was shaken, the membership declined and seamen resumed the reasonable practice, which now prevails, of sailing with their shipmates, whether they belong to any Union or not.

Such in general outline is the history of this Union's career. A sordid sequel to the story has lately appeared in the daily press. On this we do not propose to dwell. The tactics of the Union, if pursued for any purpose other than the introduction of the Millennium, would be universally condemned as cruel and tyrannical. During all the wretched strikes which Mr. Wilson and his colleagues have fomented at, we can say without exaggeration, every considerable port in the kingdom, the men, their wives and children, have gone through privation and suffering with a heroic fortitude worthy of a better cause. It never seems to occur to them that a fractional part of all this enthusiasm and self-sacrifice, applied to the practicable object of acquiring by honest means a share in the industrial enterprise of the country, would, long ere this, have revolutionised the conditions of industry, and brought to them a large portion of the advantages for which they pine. Nothing is more lamentable than the delusions which urge these men to go on kicking against the pricks. History and common sense allow us to hope that human nature will not for long submit to be organized under a tyranny so gross and so abominable. The divine right of the Trade Union, though for the moment a popular idea, is just as repugnant to the self-respect of mankind as the divine right of the Stuart kings.

This brief story discloses a variety of subjects on which friction must arise under the government of Trade Unionism. Let us consider these in some detail, and illustrate them by examples taken from the practice of other Unions. First, then, there

may be two or more Unions competing for supremacy in the same trade. During the Scottish Coal Strike of 1894, a most violent dispute arose between the British Miners Federation and Mr. Chisholm Robertson, who represented the Scottish Unions. The allegation was made that the British Miners Federation, with which the Scotsmen were federated, had fomented the Scottish strike in the interest of the English mining industry, which had suffered so terribly from the effects of the English strike. Some of the Scotsmen adhered to Mr. Robertson, some to Mr. Weir, the delegate of the Fife miners, who represented in Scotland the British Federation. Counsels were divided; the most violent recriminations passed between the two parties; accusations of selling information to the press were bandied about freely; and, to this day, a large section of the Scottish miners are convinced that, notwithstanding many fair speeches about the universal brotherhood of Unionists, they have been deliberately 'jockeyed' with a view of allowing the Englishmen to re-acquire some of their old markets.

Again, two Unions, representing nominally distinct trades, may both lay claim to the monopoly of some particular form of work. Mr. L. L. Price, whose interesting monograph on 'Industrial Peace' gives him a special title to be heard on such a subject, writes:— 4742 .

'A more ominous feature of the times is perhaps the rise into prominence of "demarcation disputes." These occur between different classes of workmen, and are occasioned by changes in the methods of industry, which render it doubtful what kind of work belongs to what description

of workmen. A peculiar obstinacy seems to attach to such disputes, and from the nature of the case they are not easy to adjust. They suggest, however, the reality of an inherent conflict of interests between different classes of workmen.'

Undoubtedly this conflict exists when bodies of men assert an exclusive right to the exercise of a particular trade; but the problem presents no difficulty if we acknowledge the freedom of every man to dispose of his labour as he thinks fit. In the mutual concession which this implies, is contained the only guarantee we have for the orderly progression of society to more economical and less exhausting methods of production. Here also the solution offered by Trade Unionism is internecine strife, or an arrangement which fetters the energies and destroys the opportunities of large bodies of workmen.

In the last report, a dispute of this nature will be settled in the manner prescribed in this extract from the proceedings of the Trade Union Congress:—

'On a revision of the Standing Orders, powers were given to the Parliamentary Committee to inquire into allegations of "black-legging" made by one Society against another, and on finding them to be sustained to suspend the offending Society from representation at the Congress for two years, and to charge it with the cost of the inquiry.'

It is a little disappointing at this early stage of their career, to find that Trade Unions, which *ex hypothesi* are the inspired repositories of the maxims of universal brotherhood, should backslide into 'blacklegging.' 'Quis ipsos custodes custodiet?'

Does the supreme decision rest within the breast of some infallible holy father of the movement, perchance Mr. Tillett? A cutting from a newspaper of July 26, 1894, lies before us, from which it appears that at a meeting of the local branch of the Dockers Union, held at St. Andrew's Hall, Bethnal Green, Mr. Tillett was insultingly reproached for receiving a salary of £300 a year, and for riding about on a bicycle while the dockers were starving. He was called a 'dirty tyke,' and retorted that his audience were bullies and half-drunk. He was assailed with shouts of 'Resign!' 'We keep you and starve ourselves'; and the meeting broke up in confusion. Yet Mr. Tillett, if any one, is surely of the *quorum* that guarantees to us the alliance of Trade Unionism with Universal Brotherhood.

During the Scottish Coal Strike complaint was made that miners, starved out of their own trade, were poaching on the monopolies of other trades. Even in the piping times of peace, the local branch of House Painters and Decorators Trade Society, affiliated and federated with many other high-titled monopolists, feeling themselves to be sovereign lords of all painting jobs within their dominions, made a formal complaint to the Baroness Burdett Coutts that Mr. Burdett Coutts' stable-door was being painted 'for extra money' by some of her stablemen. 'De minimis non curat lex,' is a maxim which will no longer obtain in the rigid system of Oriental caste into which, under the guidance of Trade Unionism, Western civilization is about to enter.

Again, every fluctuation of price in the coal trade admittedly has a far-reaching influence on dependent trades. Do the coal miners carefully consider—nay, can they consider—the consequences to the labourers in these trades, when they strike or take other vigorous action to regulate prices and output in their own interest? Will vague talk about universal brotherhood reconcile workers in iron foundries and potteries, if a rise in the local price of coal or a cessation of supply restricts or destroys their employment? Men will bow to the inevitable decision of an impersonal market, the more readily if they apprehend the truth that the free market is gradually relegating industries to the places where they are most advantageously carried on; but they will never agree to see their interests destroyed by adverse decisions resting on the mere fiat of fallible men: the manoeuvres of a rival Union for an object which, if successful, will destroy their trade, can never be made palatable to them by assurances of universal brotherhood.

Again, the power which these Unions possess is great; that which they arrogate to themselves is absolute. Yet, as might be expected, they are by no means tolerant of opposition or criticism, nor, we fear, have they much respect for the fourth estate of the realm. The reporter of the ' Scotsman ' was turned out of the Trade Union Congress, because some item in the contract voluntarily entered into between the proprietors and the staff of that paper ~~did not~~ not satisfy Trade Union requirements. Next morning, that very vigorous journal likened the Congress to the Wise Men of Gotham, and



published a more than usually full report of its proceedings.

Their attitude to unfortunate Members of Parliament whose necessities oblige them to hover, like camp-followers, on the skirt of battle, in the hope of catching a vote or two, is even more truculent, and, some will say, not inappropriately contemptuous. At a public miners' meeting during the Scottish Coal Strike, the charitable disbursements of Mr. Stephen Williamson, M.P., were critically and candidly discussed. This philanthropic Lothario had promised, it was alleged, £5 a week to the strike fund, and he had now, on some pretence of a qualm of conscience transferred his subscription to the ironworkers who were thrown out of work by the want of coal. 'If that was the case,' it was remarked, 'they would know how to deal with Mr. Williamson.'

Lastly, we come to what is perhaps the largest and most important province of Trade Union activity; namely, the relations which obtain between the Union and its own members and the men who from some reason or another decline to enter its ranks. It would be easy to fill the pages of this Review with a long catalogue of the outrages and tyrannical acts which are incidental to the enforcement of Trade Unionist rule. The facts are sufficiently notorious to every reader of the daily paper. If, however, we would understand to the full the crushing weight of this new tyranny, it is necessary to visit the homes of a population where is being enacted one of the supreme efforts of Trade Union policy. The bare room denuded of furniture; the complaints of

many of the women and their horror of Trade Union tactics, readily communicated to any one who enjoys their confidence; the pinched faces of the children; the sheepish distress of some of the strikers, who have probably lived for years on friendly terms with their employers and who obey, they hardly know why, the orders of the Union, even amid the heart-rending spectacle of their vanishing homes; the sullen and furious temper of others, ordinarily peaceable and contented men, who now give vent to their feelings, if they are Union men, against their employers and 'free labour,' or, if they are non-Union men, against the cruel oppression which dubs them 'blacklegs' and 'scabs,' and then hunts them as if they were vermin. A curious and striking illustration of the hatred, malice, and uncharitableness raised in these unhappy disputes, is afforded by this incident from the Paddington's Coroner's Court. James Warman, 28, a cabdriver, was found drowned in the Grand Junction Canal. There was no evidence to show how he had come by his death. His unfortunate widow and his friends, however, came forward with a theory that he had been murdered. He had been active in the Cab Strike several months before; had been in charge of an all-night picket at Notting Hill, and had organized a company of 'mutes' to interview the 'blacklegs' at their homes. 'But I suppose,' said the coroner, 'that the effects of the strike are now over.' 'No,' replied a witness, who on such a matter might speak with some authority, the Secretary of the Cab Strike in the Paddington division, 'the angry feeling still exists,'—existed, in the opinion of the

witness, so bitterly, that it occurred to him to be quite natural that James Warman had been murdered.<sup>1</sup> The inquiry was adjourned, with what result we are unable to say. But what a comment on a system that exists for the purpose of leading us, some day, to universal brotherhood!

Even the women at times become infected with a spirit of violence:—

'A new element in the picketing business was introduced yesterday by the colliers' wives in Watsonville, who, hearing that the Hamilton women had been bribed with bread to picket Motherwell, sallied out to meet them armed with pokers. However, no female picketers appeared, but the women catching sight of a body of male pickets gave chase, and left the pit grounds clear for their own friends to resume work.'<sup>2</sup>

Are duties such as these to be required of the new woman?

The following extract is from the 'Times' of Jan. 27, 1891:—

'On Saturday, the 17th inst., a respectable young labourer was admitted under my care in Guy's Hospital, suffering from an extensive blood extravasation on the right thigh, consequent upon a ruptured blood-vessel, and also an injury to his knee-joint. His statement was to the effect that on leaving work he and his comrades were set upon by a gang of Unionists, and he was struck on the thigh by a huge mass of coal. Though seriously injured, he refused at first to remain in the hospital, as he had a wife and five children unprovided with food at Tooting. It was not until my dresser, Mr. Bunting, with a student's characteristic good nature, offered to take relief to his wife that the man consented to stay. He had

1. 'Standard,' Sept. 7, 1894.

2. 'Scotsman,' Oct. 2, 1894.

with him a leg of mutton and a pound of tea. With these under his arm and the wages in his pocket, my dresser started off to Tooting, and found, as the patient stated, that the wife and children were unprovided with food for the Sunday meals. The patient is still in the hospital, suffering from the effects of his injuries. I am, &c., R. CLEMENT LUCAS, B.A., F.R.C.S., Surgeon to Guy's Hospital, 18, Finsbury Square.'

'A poor man here,' so writes, on Jan. 21, 1891, the Rev. A. Osborne Jay, of Holy Trinity Vicarage, Shore-ditch, 'out of work, with five hungry children, obtained the offer of work at thirty shillings a week on board the "Scotland" (*i.e.* the non-Union labour depôt at the Albert Docks). I paid his fare, and he was delighted with his prospects; when he arrived there, he was protected by the police from the mob who stand at the gates to prevent anyone getting in. It was of no avail. Two burly pickets (in the enjoyment, no doubt, of ample strike-pay) ran after him and literally drove him back. It was in vain he pleaded his weakness through hunger and his wretched family, and implored freedom to work if he chose. Such arguments to such men are worthless. He is once more back here, starving as before.'

Here again is a story of hardship arising, be it noted, not in the heat of a strike, but in the calculated arrangements of ordinary business. A poor woman applied to a charitable society for assistance under the following circumstances. Her husband had met with an accident and had been obliged to go into hospital. She had made shift to keep her home together and to maintain herself and her children during his long illness. The man was discharged from hospital cured and ready to go to work again. But no—some six shillings odd were demanded from him, the arrears due to the Union, before his fellow Unionists could be permitted to work in his

company. This sum was utterly beyond the resources of the poor wife, and her gallant struggle for independence was frustrated just at the moment when success seemed assured.

While there is so little regard for life and limb in the practice of Trade Unionism, it is not to be supposed that there is much respect for the ordinarily received ethics of property. The following anecdote, for the general accuracy of which we vouch, has its amusing as well as its serious aspect. During the recent Coal Strike, a colliery manager in the neighbourhood of Barnsley, a man well advanced in years, was confronted, alone and unprotected, by a crowd of starving strikers, who demanded money from him. In fear of his life he gave them what money he had in the house. With this they went away. He forwarded a complaint to the police, and in course of events (next day, we believe) the chief magistrate and superintendent of police arrived in a dog-cart on the scene. They took the line that the manager had been very ill-advised in yielding to intimidation : if he had been more courageous and resisted their demands, the men would have gone away. After some salutary reflections of this nature the two functionaries drove away with all the dignity of men who had discharged their duty, but before they had gone more than a few hundred yards they were stopped by a threatening crowd and obliged to disburse all the money they had with them. ' Life after all is sweet,' one of them is said to have remarked when relating his experiences.

We have no wish to exaggerate the cruelty and lawlessness of this reign of terror. Morality is in a

measure controlled by material conditions. Starving men, men who rightly or wrongly think themselves oppressed, often pass beyond the limits of strict legality. If this were all, we could afford to regard these incidents with regret, but still with the comparative equanimity with which public opinion regarded the occasional excesses of the Old Unionism. Mr. George Howell, M.P. a moderate and enlightened representative of the Old Unionist movement, has expressly disavowed the attitude assumed by the new school. In the preface to the second edition of his 'Conflicts of Capital and Labour' he writes :—

' Force is no remedy in the organization of labour any more than it is in the organization of the State. For thirty-five years of my life I have fought for the liberty to combine and for the repeal of the last vestige of repressive laws against combination. I will resist any substitution of brute force by men in combination as contrary to that liberty of action for which I have ever contended. Unionists have no more right to compel men to belong to a Trade Union than employers have to restrain workmen from joining or remaining in the Union. In either case it is a violation of constitutional, social, and individual right, and in the end is ruinous to those who exercise it.'

Mr. and Mrs. Webb, whose pronouncement in favour of the enforcement of membership we have already quoted, have unearthed, to their great satisfaction, some violent language held by Mr. William Crawford, a trusted leader of the Durham miners, a steadfast opponent of the Eight Hours' Bill, and on that account, they imply, to be regarded as a member of the Old Unionist party. In a letter

which found its way into the papers some years ago Mr. Crawford wrote :—

' You should at least be consistent. In numberless cases you refuse to descend and ascend with non-Unionists. . . . The time has come when there must be plain speaking on this matter. It is no use playing at shuttlecock in this important portion of our social life. Either mingle with these men in the shaft, as you do in every other place, or let them be ostracized at all times and in every place. Regard them as unfit companions for yourselves and for your sons, and unfit husbands for your daughters. Let them be branded, as it were, with the curse of Cain, as unfit to mingle in ordinary honest and respectable society. Until you make up your minds to thus completely and absolutely ostracize these goats of mankind, cease to complain as to any results that may arise from their action.'

If this be a fair sample of the language and opinions of Mr. Crawford, Mr. and Mrs. Webb have certainly succeeded in showing that he would be a bright ornament to the New Unionist party and a useful instrument in enforcing the policy which they support. The fact however remains that in their calmer and more judicial hours the leaders of the Old Unionism distinctly repudiated and condemned such language and such tactics. Now, on the contrary, it has become the fashion to condone and justify such procedure. With clumsy and somewhat ludicrous coquetry academic economists have taken under their protection these truculent knights errant of modern chivalry, and Christian Socialist divines palliate this high-handed policy of coercion. It is, they say, necessary to our social salvation. When we come to the labour leaders

themselves, it would be easy to fill pages with the incitements to violence which have been uttered in the same breath with lofty sentiments about the brotherhood of all men. The extraordinary incongruity of these utterances will probably suggest to some historian of the future, the explanation that a wave of madness had taken possession of the conscience of the speakers. The disastrous Coal Strike in Scotland which ended in October last by the submission of the men after sixteen weeks' struggle was conducted on the whole with a happy avoidance of violence. No attempt was made by the employers to replace the strikers by outside labour. Such picketing and coercion as had to be exercised was directed against the ordinary staff of labour which in some places persisted in working contrary to the decree of the Union. The fact that such men as worked did so at their appointed places, and not to the displacement of other labourers, by no means absolved them from threats of violence. In actual warfare, philosophical appeals to the analogy between the divine right of the Trade Union and the divine right of the City no longer serve; but there has been no lack of spokesmen to point the application of it. Let us begin with Mr. Chisholm Robertson, Secretary of the Scottish Miners' Federation.

'If any of them,' he said, 'were so foolish as to attempt to break the law, he prayed them to be very circumspect as to the way in which they broke it, so that they should not be injured in any way whatever in consequence.'

It is a short step to pass from 'Thou shalt not be



found out ' to Mr. Matthew Robertson's assertion of his ' right to go to any pit where blacklegs might be working and advise them not to blackleg any more, and if they did not take moral suasion they must have some other suasion.' Elsewhere this same authority has put it more directly and proclaimed the necessity of ' picketing to the death.' Mr. Mowatt, the President of the Coatbridge Association, denounced in bitter terms the ' on cost ' men who were reported to be digging coal.

' These men,' he said, ' claimed that this was a free country, and that a man ought to be allowed to work if he wished. He, however, claimed that this was not a free country. If any man he was now addressing attempted to cut his own throat, he would soon find himself in the hands of the police. These men who were working were cutting the throats of the men on strike, not indirectly, but directly. . . . They were not, however, done with these men, They purposed trying to stop them by legitimate means if possible——' (Cries of ' Barton's Hill! '—a pit where scenes of rioting had taken place.)

A pretty selection of threats could easily be brought together from the speeches of Mr. John Burns, M.P., in the old days when he was on his promotion. His recommendation of the chemical parcel post has not been apparently his only indiscretion.

' In a case heard at the Thames Police Court on September 19, 1899, evidence was given to show that a man named Garfield said to some non-Union men, "Would you like some of this soup?" producing a stevedore's hook. "Burns says we are to pull you black-legs out of the docks with our hooks. If I had my way, I'd rip you up with them." '

So it is that the grammar of assent in the ethic of

his new evangel is unfolded. It is but a step from the enforcement of membership, which stands in our opinion on the same footing as the enforcement of citizenship,' to the drastic remedy which Garfield learnt from the teaching of Mr. Burns. That 'great reformer' Francis Place, Mr. and Mrs. Webb inform us,

possessed in perfection the rare quality of permitting other people to carry off the credit of his work, and thus secured for his proposals willing promoters and supporters. . . . The invaluable collection of manuscript records left by him, now in the British Museum, prove that modesty had nothing to do with his contemptuous readiness to leave the trophies of victory to his pawns, provided his ends were attained.'

It is no part of our business to vindicate the modesty of the larger pieces in this game. Their 'contemptuous readiness' to allow the pawns to face crime, ruin, starvation, and prison must be conceded. It is the perfection of a quality which, for the credit of human nature, we had gladly believed to be rarer than it is.

*Quousque tandem*, one is inclined to exclaim, how long will these horny-handed children allow themselves to be made the catspaw of the fanatics or self-seekers who are so eager to play their crazy experiments on human society? An answer, in the tragi-comic vein, comes to us from a meeting of the Social Democratic Federation, held in Frankfurt-am-Main in October last. The intellectual members of the society—the editors, the writers, the talkers—were accused of enjoying too large a share of prosperity. It was proposed therefore that editors'

salaries should be cut down to a maximum of £150 per annum. The notorious Herr Bebel, a voluminous writer of Socialist propaganda, protested violently, and threatened to resign. This terrible menace seems to have carried the day, and intellect retains its perquisites. The next time—who can say?—the result may be different.

For the pawns in this unhappy business we have a real sympathy. We have said nothing, and propose to say nothing, of the merits of these disputes. We have yet to learn that the merits of any question will make it advisable for a man to cut off his nose to spite his face. If space had permitted, we should have liked to discuss the question of collective bargaining. In our view the advantage of this has been greatly exaggerated. The prosperity of the working class depends much more on the continuous expansion of trade, which creates a better demand for labour, a continuous rise of wages, and a larger return to all industrial effort. The interruptions to trade; the uncertainty of employers as to the permanency of labour contracts; the violent fluctuations of the market, when prices are kept up, not by demand, but by brute force, and at last perforce allowed to drop; the impoverishment of workmen, their own most important customers, through strikes and lock-outs: all these things detract largely from the advantages, such as they are, of coercive combined action. But the subject is too large a one to be pursued here. We refer the reader, however, to Mr. Cree's<sup>1</sup> little tract for a very able exposition

1. 'Evils of Collective Bargaining in Trade Unions,' by T. S. Cree. 2nd edition, 1898.

of the economics of the subject, and to Mr. Birks' pamphlet<sup>1</sup> for a robust and commonsense argument on the general question.

The advantages of this coercive Trade Unionism are at best small and doubtful; the disadvantages are great and undoubted. Nor are these advantages in any way concealed: during the Scottish Coal Strike the press (and here we may acknowledge our own indebtedness to that most ably conducted paper the 'Scotsman') supplied admirable information as to the course of events. It was obvious from the very first that the strike could only end in one way. Here are a few samples of the disheartening information that reached the miners day by day.

The following extract is taken from a letter of a German firm of coal exporters in Hamburg to a Norwegian firm, hitherto customers of a Scottish colliery:—

'We are glad to see that you are willing to set about the introduction of German coal in your market.'

Commenting on this, the Norwegian firm wrote to their old Scottish suppliers:—

'We regret to learn the strike continues. If this sort of thing is to go on, German and French coal will come to be preferred. . . . Consumers in this country are daily being more convinced that it is nowadays impossible to depend on fulfilment of contracts with England.'

Writing under date October 13, a correspondent of the 'Scotsman' draws attention to figures in the Leith Dock accounts. In September 1893, 63,008

1. Trade Unionism. A Criticism and a Warning.' By James Birke. 1894.

tons of coal were exported; in September 1894, 12,267 tons were exported, a decrease of 50,741 tons in one month; further, the dock revenue derived from imported coal for the months July, August, and September rose from £7. 14s. 11d. in 1893 to £325. 7s. 3d. in 1894.

Another letter, dated September 22, 1894, from a German port, runs as follows:—

‘The strike will be ended now, I suppose, and we may again think of doing business together. . . . There was plenty of Silesian coal, and lately some large steamer cargoes of West Hartley Main steam arrived from Newcastle as an equivalent for Scottish. . . . Consequently only small quantities will be taken from your country . . . and only if they are cheap, very cheap, as Newcastle coals . . . can be had at a cheap rate.’

Sir Donald Currie (‘Scotsman,’ October 3, 1894) at the launching of the ‘Arundel Castle’ expressed an opinion that the Scottish miners would not easily recover the markets which they relinquished during the strike:—

‘To have been out on strike for, roughly speaking, fifteen weeks, would, he calculated, cost them so much that it would take them eight years of continual employment to make up at a shilling per week what they had lost in the struggle.’

Mr. John Wilson, of Broxburn, a leader of the miners, is thus reported in the ‘Scotsman’ of September 25, 1894:—

‘They met that night,’ he said, ‘to close the thirteenth week of this great national strike. They had each lost £15 or £16 in wages, collectively they had lost £1,120,000 in money, and the loss to the nation was about £7,000,000 in money.’

Yet, all this notwithstanding, and although they have gained absolutely nothing by the strike, the miners continued, and will in all probability continue, their allegiance to their leaders. Much as we could wish that their leaders were better advised, there is a dumb pathetic fidelity in the relations of these men which compels our sympathy and respect. Nor, as we are glad to recognize, is this honourable confidence confined to one side. At a meeting reported in the ' Scotsman ' of the 22nd September, 1894, it was stated that Mr. Weir, the leader of the Fife miners and the representative of the British Federation party in Scotland, had not received a single penny for his labours from the Fife miners since the beginning of the strike. The theory that the Trade Unionist leaders are all self-seeking knaves is unfortunately quite untrue. The ' intellect ' of the party which sits apart and fares sumptuously is rarely dangerous. The honest, misguided fanatic who shares privations with his rank and file is most to be feared, but, intellectually at all events, he is in his childhood, and experience may perchance still teach him. If the truth about all these matters were once to dawn on some honest man who had the confidence of these simple, bewildered men, it would spread like wild-fire.

Still, at present, it is painfully evident that these leaders are driving their flocks, who follow one another with sheep-like submission, into a hopeless *impasse*. Here, in frantic efforts to extricate themselves, they turn to bitter recriminations, and trample on one another like wild animals. What chance is there here, in such an atmosphere, of

exorcising the nature of the tiger and the ape? Contrast this with the ordered progression of a free society, developing its resources in the security of equal liberty, the inequalities of life manifestly diminishing, men learning to respect the liberty of others because they value it for themselves, and wealth and comfort sufficient for all being gradually accumulated.

We have said nothing of legislation, and indeed there is nothing to be said. The law can try to keep the peace, but it is powerless to heal the mind diseased, by revealing to it a vision of the better way. That is the supreme need of the hour. This realized, men will no longer waste themselves in forced marches after the *ignis fatuus* of an impracticable Collectivism, or seek to exchange the civilized instincts of mutual concession for the primitive and savage instincts of coercion.

## CHAPTER II.

### TRADE UNIONS IN PRACTICE AND THEORY.

THE EMPLOYERS FEDERATION AND THE AMALGAMATED SOCIETY OF ENGINEERS.—THE LEGISLATION OF THE BOYCOTT.—THE A.S.E. AND THE USE OF IMPROVED MACHINERY.—THE DEMAND FOR A FORTY-EIGHT HOURS WEEK IN LONDON.—A CRITICISM OF THE 'LABOUR GAZETTE.'—TERMINATION OF THE STRIKE.—INTERFERENCE OF THE BOARD OF TRADE.—CARDINAL MANNING AND THE DOCK STRIKE.—THEORY AND PRACTICE.—THE ACADEMIC TRADE UNIONIST.—THE DOCTRINE OF THE 'LIVING WAGE' AND THE 'RENT OF ABILITY.'—'THE REAL ISSUE.'—FREEDOM OF CONTRACT THE LABOURER'S BEST CHARTER OF ADVANCEMENT.—THE 'NATIONAL MINIMUM' A VAGUE CONCEPTION.—'PARASITIC' TRADES.—THE ADVANCE OF WAGES.—A BIRMINGHAM EXPERIMENT.—HIGH WAGES AND LOW PRICES.—'EFFECTIVE DEMAND' AND THE ADVANCE OF MODERN INDUSTRY.—'*NATURA NON NISI PARENDO VINCITUR.*'

THE winter of 1897-98 has been an eventful period in the history of Trade Unionism. The decision of the House of Lords on appeal in the case of *Allen v. Flood*, delivered on the 14th December, and the stand made by the Employers' Federation against the encroachments of the Amalgamated Society of Engineers, are events of permanent importance.

The facts in connexion with the legal decision above mentioned are shortly as follows :—

Flood and another were shipwrights employed by a shipbuilding company to do wood-work on a vessel. The



company employed more men doing iron-work than shipwrights, and a strong feeling existed against Flood and the other respondents on the ground that they, being shipwrights, had done iron-work for another firm on a previous occasion. Allen, a Trade Union official, informed the managing director that his men did not like working with the shipwrights, and that if they continued on the job, the iron men would leave off work, or be called out. The managing director, therefore, dismissed the two men, who brought an action for damages against the Chairman and Secretary of the Trade Union, and also against the appellant, Allen, for having conspired together to induce the company to discharge the plaintiffs. The judge stated that no case had been established of conspiracy, or of coercion or intimidation. The jury found that there was no conspiracy, as the Chairman and Secretary had nothing to do with the matter, and judgment was given for them, with costs; but they found that Allen had maliciously induced the company to discharge the plaintiffs, and against him gave both the plaintiffs £20 as damages. From this finding Allen appealed, and carried the case to the House of Lords. There it was held that the appellant had committed no actionable wrong, and that the respondents had no cause of action against him for their loss of employment. Judgment, therefore, was entered for Allen, with costs, in the House of Lords, in both courts below, and at the trial.

The lawyers decided, as all true Shandeans will remember, that the Duchess of Suffolk was not akin to her own son, but 'let the learned say what they will, there must certainly (quoth my Uncle Toby) have been some sort of consanguinity between the Duchess and her son.—The vulgar are of the same opinion (quoth Yorick) to this hour.' So in the present case the shipwrights had no ground of action, but it will be difficult to persuade an

impartial observer that they have not suffered a gross injustice. The incident only brings into relief the well-known fact that many acts, perfectly legal in themselves, may yet be used for purposes most tyrannical and unjust. We cannot conceive anything more humiliating or more distasteful to a just and honourable firm of employers than to be coerced into dismissing blameless and efficient workmen for reasons such as those put forward in the case of *Allen v. Flood*. What is more, we do not believe that any self-respecting body of Englishmen will quietly submit to dictation of this nature. As the law at present stands, interpreted, we have no doubt, quite correctly by the eminent lawyers who formed the majority of the highest court of appeal, there is no legal protection to workmen and their employers in a case of this kind. It becomes therefore absolutely necessary that employers who do not wish to be parties to this form of injustice must take steps to protect themselves. That the employers realize the gravity of the situation we have no reason to doubt. This important decision, though in form a great victory for militant Trade Unionism, will, by the employers, be regarded as an additional argument for extending the principle of Federation which has proved so irresistible in the Engineering dispute.

Apart from this legalization of the boycott, the engineering employers have had what they consider adequate grounds for combining to resist the demand of the Trade Unions. The following are among the complaints put forward by their Association :

A general complaint is made that the Amalgamated Society of Engineers has been captured by a Socialist executive, and that the tactics of the Union are directed to the attainment of an ideal, which, in the opinion of nine men out of ten, is absolutely impracticable. It involves, in fact, a complete destruction of the capitalist system in general, and of the English Engineering trade as its first and particular victim. A majority of the executive of the Amalgamated Society of Engineers are avowed Socialists, and their ideals is not merely to get the best terms possible from the capitalist employer, but to remove him altogether, as a principal obstacle to that reorganization of industry which the Socialist deems necessary. Mr. T. Mann, an influential member of the Independent Labour Party, to which Mr. Barnes, the Secretary of the Amalgamated Society of Engineers, also belongs, has recently issued a manifesto urging the formation of a new Labour Union.

‘We realize,’ he says, ‘that it is impossible to have any real solution of the labour problem until capitalism is superseded by collectivism, and we are fully alive to the necessity for organization to bring this about. We therefore favour the formation of a Union that shall embrace all sections of workers, whether classed as skilled or unskilled.’

Mr. Mann, Mr. Barnes, and their friends are entitled to hold and express these views; but it is not surprising that the engineer employers think it time to take steps to prevent themselves being ‘superseded by collectivism.’

Further, without troubling themselves much about

the theory of the subject, the employers had no doubt that many of the regulations which the Unions seek to enforce, though they may be very suitable to collectivism, are not compatible with existing conditions of industry. Some of these are set out in about fifty folio pages, issued by the Federated Engineering and Shipbuilding Employers, under the title of 'Examples of Restriction of Output and Interference with the Working of Machines with Overtime, and in the Management of Shops.' These instances are in part compiled from the Monthly Reports of the Amalgamated Society of Engineers, and, indeed, it may be said generally that the facts put forward by the employers are not seriously disputed. We content ourselves therefore with quoting only a few illustrative cases.

1. In the January Report of the Amalgamated Society of Engineers, the Society takes credit for having, by the strike at Earle's in Hull, 'forced recognition of the principle that machines which supersede hand labour should be manipulated by skilled and full-paid men.'

2. Messrs. Nicholson, of Newark, introduced some new machinery; the Union enforced their own interpretation of the clause, 'that all new machines coming into that department should be worked by our men,' or, if a Unionist was not available, by a man receiving the high pay of a skilled engineer.

'This is a claim,' says a note of the employers, 'to a high rate of remuneration, whether or not such is warranted by the skill required. Employers' efforts are directed to simplifying production, and reducing the cost by means of automatic and improved machines. Many

of the improved machines now require no attention for hours, beyond watchfulness that nothing unusual happens.'

3. At Belfast the employment of an unskilled man on a horizontal drilling-machine, which was claimed for a 'turner,' was objected to. A strike, continued for a day was settled on condition 'that the machine be entirely stopped, pending a settlement.' The Society, it is further added, 'is now preparing a claim to other machines' throughout the whole district.

4. The May Report of the Society claims a 'vested interest' in all engineering operations for members of the Union. 'We have no objection to it [the machine], but we claim to use it.'

5. At the Edison and Swan Electric Lighting Company objection was taken to the employment of men who had been working from three to four years at a particular class of work, and the firm was obliged to engage that no more of this class of men should be employed. In this dispute the employers seem to have been supported by the Instrument Makers' Union against the Amalgamated Society of Engineers.

6. From the June Report the following is cited :—

'Messrs. E. and J. Hall, having recommended labourers to take charge of and supervising refrigerating machinery constructed at their works, I called on the firm. Mr. Hesketh, managing director, considered the work belonged to engine-drivers, or men specially trained. We believe the work belongs to the practical engineer. The case is still under the Committee's consideration.

ALBERT BIGBY.'

7. A dispute having arisen with regard to the two-lathe system in use at Messrs. Scott Bros., of Halifax, two Trade Union officials visited the firm.

'We found,' they report, 'the practice of minding two lathes had been curtailed since our visit two years ago, and the extent to which it was not practised was so limited, and the work to which the running of two machines was confined was such, that we could not advise any drastic action being taken.'

8. The manager of a tramway company, employing some engineers, interviewed by a delegate of the Amalgamated Society of Engineers, explained that he imposed fines as the only way, short of dismissal, by which he could enforce discipline. 'He was informed that the process of fining might suit other sections of his workmen, but would not suit our members, as we generally did that ourselves when found necessary.' If he had any complaints they were to be forwarded for investigation to the Union. 'Since my visit he has complained, but I fear they are not substantial, as I have asked him for particulars, which he has not supplied.'

9. At Greenock and Port Glasgow—

'there was some little trouble in one of the shops over a man who refused to join our Society, and perhaps more especially over the emphatic way in which he gave expression to his feelings, the result being that our members left off work; but an hour settled it, and our friend took his departure.'

These instances represent the avowed practice of the Union, and are taken from its own official reports. As might be expected, however, some much more forcible instances are given in letters of

employers addressed to the Employers' Federation

10. At one firm two copying lathes were worked by two members of the Union at 35s. a week each. Since the strike a labourer at 24s. per week, a great advance on his former wages, took charge of the two lathes, and singly turned out more work than the two Unionists did together.

11. The regulations seem occasionally to prevent men from earning higher wages, if their diligence in any way interferes with the views of the Union. Thus, a firm was informed by their men that they had received instructions from the Society not to earn more at piece-work than the equivalent of the standard wage. The effect was to reduce the total output by about thirty per cent.

12. The following instance of the difficulty under which engineer employers have, previous to the recent strike and lockout, been conducting their business, is worth quoting. A strike of Amalgamated Society of Engineers men took place in a certain London firm, because the manager, resenting the restriction of output, employed non-unionists willing to work after 5 p.m. Delegates called to complain of the tyranny of the manager. The firm supported the manager, and then 'the advice of the delegates was asked as to a man who had taken twelve and a half hours to plane a piece of work which should only have taken three and a half hours.' The work and the man were produced, a discussion between the man and the delegates took place, and as a result this man resigned. A few days after the firm received a notice, signed by 42 members of the Amalgamated Society of

Engineers, demanding 'an apology for the gross misbehaviour to our fellow-member, who has been victimized,' etc., and also a guarantee against 'future tyranny.' This was accompanied by a threat to cease work that night.

These instances must suffice, though they hardly do justice to the employers' case, the strength of which lies in the multiplicity and variety of the demands put forward by the Unions, some of them in their nature trifling, but in the aggregate amounting to a detailed regulation of industry which the employers are not willing to accept. For the future it is now proposed that the delegates of the Unions shall meet the delegates of the Masters' Federation; and individual employers, though willing to consider representations from their own men, will decline to receive the delegates of the Unions. As one of the employers remarks: 'It is not pleasant, when one has to find the money, the tools, and the premises, to have men one never saw before, never even heard of, come into our works and say, "Look here, mister, we have made a rule." It is irritating;' and for the future such delegates must apply to the Employers' Federation.

The trial of strength, which has ended in the defeat of the Trade Union, did not arise directly from any of these grievances, but was precipitated by a demand, made by the Trade Union, for a forty-eight hours week in London. The employers throughout the country, aware that a struggle was impending on the 'machine question,' and unwilling to allow the Trade Union to attack one section of employers at a time, determined to stand



by their London colleagues, who were resisting a demand which they thought unreasonable. It does not appear why this demand was specially made in London. Very recently certain Thames shipbuilders in the east end of London were urgently demanding that the Government should pay them a larger rate for ships and engineering work generally than is paid to the rest of the country, on the ground that labour was dearer in London than on the Clyde and on the Tyne. If this is so, the London employer is less able than any other to grant this special concession. The truth probably is, that this question of forty-eight hours was chosen as the field of hostilities for tactical reasons. The ultimate and avowed aim of the Union officials is the supersession of the capitalist by collectivism; all aggressive action therefore is justifiable, and it is probably waste of time to look for any other reason than that the juncture seemed to the officials a favourable one for striking a blow at an institution which they wish to extirpate without remorse.

A brief history of the dispute may here be given. In August, 1896, some five hundred men employed in Earle's shipbuilding and Engineering Works at Hull, struck work because, *inter alia*, 'a new vertical four-inch spindle milling and copying machine' was worked by a member of the Machine Workers' Association, although the Amalgamated Society of Engineers claimed the sole right of working such a machine for its own members. The strike began on the 12th of August, and continued till the end of November, when at a conference convened by the Board of Trade, it was settled on

terms that

'the milling machine at Messrs. Earle's, in consideration of its being a four-inch spindle machine, and having a copying arrangement, be worked by a turner or fitter (*i.e.* a member of the Amalgamated Society of Engineers). This decision, however, not to interfere with present customs in other establishments.'

The employers consented to this, we are told and can readily believe, for the sake of peace only; and the Trade Union, encouraged by this success, continued to push forward its claim of monopoly on every opportunity. In December of 1896 the Amalgamated Society of Engineers addressed a complaint to the Federation of Employers 'against putting labourers to band-saws,' and formally claimed 'all band-saws as used in engineering shops for our members.' By this time the employers had organized their Federation, and their reply was as follows:—

'The Federation distinctly decline to admit the right of your Society to work any particular class of machines. The machines are the property of the employers, and they are solely responsible for the work turned out by them; they, therefore, will continue to exercise the discretion they have hitherto possessed by appointing the men they consider most suitable to work them.'

In January 1897 the Amalgamated Society of Engineers men at the Sunderland Forge and Engineering Company's Pallion, claimed the exclusive right to work some new boring machines which had recently been erected. This dispute seems to have been patched up in April, but the machine question was only temporarily shelved. The Amalgamated Society of Engineers, finding

that the employers would not yield so readily as they had done in the Earle Company's strike at Hull, became aware that this demand for a 'right to a trade' was not a question on which they could confidently appeal for the support of the public or of the allied trades. They accordingly made a change of front, the motive of which is described by Mr. Barnes, the Secretary of the Amalgamated Society of Engineers, in the following terms:—

'We have so far out-generated Colonel Dyer' (the President of the Employers' Federation), 'as to have averted the fight on an unpopular issue, and to have shunted it into a question on which we ought to get, and I believe will get, the support of our fellow workmen.'

Accordingly, so it is suggested, the forty-eight hours per week demand was made on the London employers.

The suggestion that shorter hours should be worked for the same pay is always agreeable, but unfortunately it is not always possible. The employers declared that they could not grant it. They pointed out that they were hampered by the Trade Union tactics mentioned above, that taxes were increasing, that a market which had at one time been almost an English monopoly was fast being invaded by foreign competition. Interesting and detailed reports were given of the economy and efficiency of labour-saving machinery used in America, and of the rapidity and ingenuity with which it was worked. The old-world methods of Trade Unionist caste were entirely unsuited to modern requirements. It was idle to talk of a reduction of hours while these antiquated and

inefficient methods were retained. In that well-informed journal of the trade, 'The Engineer,' it is remarked on January 28, 1898, 'We can state with certainty that numbers of employers would have granted the eight hours day, if only the men would have left shop management alone.' If the engineering trade of this country is to retain its market, it must get rid of these restrictive and cumbersome methods, and then it may be time to talk of a reduction of hours, but antiquated methods and short hours are quite incompatible. The employers gave statistical illustration of the difficulty in which they found themselves, as follows:—

The exports in machinery and engines have increased from 1886 to 1896 in the following proportions :

From the United Kingdom	...	50	per cent.
„ the United States	...	250	„
„ Belgium	... ..	300	„
„ Germany	... ..	85	„
„ France	... ..	34	„
„ Switzerland	... ..	40	„
„ Sweden	... ..	100	„

The demand for forty-eight hours was made on the London district only, 'the weakest, the least cohesive, the most expensive,'<sup>1</sup> and consequently the least able to grant this or any other concession. Some of the weaker firms gave way. The 'Labour Gazette,' the official organ of the Board of Trade, August 1897, states that up to July 14 about 160 firms in the London district had conceded the men's demands. In August the same authority more

1. Address by Mr. T. Percival Wilson to the staff of Easton, Anderson, and Goolden, Limited.

cautiously remarks : ' In London the list of firms who are reported by the Amalgamated Society of Engineers to have conceded the eight hours day has increased during the month from 196 to 218, the additional firms being mainly small.' A later statement put out by the Engineers' Society gives the number at 204. The Labour Department of the Board of Trade employs, as correspondents, a large number of prominent Trade Unionists throughout the country. It is part of their duty to furnish statistical gossip for the monthly journal of the Department. We do not suppose that independent persons have often thought it worth while to check its figures. These particular statements, however, have been subjected by the employers to the following analysis :—

Not now in existence ... ..	2
Not in Directories... ..	18
Given in duplicate ... ..	7
In financial difficulties ... ..	5 — 32
Not in Engineering Trade—	
Public Bodies... ..	4
Newspapers ... ..	4
Brewers and Distillers ... ..	7
Contractors ... ..	4
General Trades not Engineers ... ..	25 — 44
Master Workmen and Employers of under	
10 (average 4½) men each ... ..	24
Ammunition makers who follow Arsenal	
practice ... ..	5
Experimental Works ... ..	2
Granted 8 hours under pressure, but now	
reverted to 9 hours ... ..	31
Various Engineering firms ... ..	66

The following is an analysis of the 66 Engineering firms included in the list :—

*Particulars.*

Working 8 hours before the agitation began...	4
Country firm with London Office ... ..	1
Printing Machine workers... ..	9
Brewers' Engineers' Coppersmiths ... ..	9
Ship repairers... ..	12
Engineers, of whom several are specialists, and many are small ... ..	31

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66

On the other hand, some 90 Federated firms and 186 unfederated firms refused the demands of the Amalgamated Society of Engineers.

To resist the pressure, the principal London employers formed themselves into an Association. Being convinced that this demand for a forty-eight hours week was part of a much larger question, and that the time for decided action had arrived, the Employers' Federation determined to join hands with the London Association, on an understanding which is succinctly summed up in Mr. Wilson's pamphlet :—

' You, in London, are attacked upon the hours question ; the machine question has been avowedly shunted on to the hours question. If you who have not yet been attacked on the machine question will stand by us over that, we who have been attacked on the machine question, but not on the forty-eight hours, will stand by you over that. We agreed to it, and that was how London became a part of this great and powerful Federation.'

Accordingly when the men employed in certain selected London shops were directed by the Union

officials to strike, the Employers' Federation replied by locking out the Trade Unionists employed in its members' works, and, as we all know, this unfortunate and disastrous dispute remained unsettled till the end of January in this year.

An attempt was made by the Board of Trade to arrange the dispute by means of a Conference. Somewhat against their better judgment, and influenced mainly by the pertinacity of Mr. Ritchie, the employers consented to comply with the request of the Board of Trade. No settlement was obtained by this device; but, though the strike was undoubtedly prolonged thereby, the discussion at the Conference threw some valuable light on the controversy by the interchange of opinion which took place.

The tactics of the men's representatives at this Conference are not very easily understood. They agreed, provisionally at all events, to proposals which secured 'freedom to employers in the management of their works.' The full text is set out in the 'Labour Gazette' of January 1898. Employers were to be at liberty to introduce into their works any conditions of labour under which members of the represented Trades Unions had been working in any of the Federated workshops at the commencement of the dispute. Workmen were to be free to belong to a Trade Union or not, as they pleased. Employers might employ Unionists or non-unionists; and, in view of the decision of *Allen v. Flood*, the following sentence, modified to meet some objections of the Trade Unionists, is important :—

'Every workman who elects to work in a Federated workshop shall work peaceably and harmoniously with all fellow employees, whether he or they belong to a Trade Union or not. He shall also be free to leave such employment; but no collective action shall be taken till the matter has been dealt with under the provisions for avoiding disputes. The Federation do not advise their members to object to Union workmen, or to give preference to non-union workmen.'

In view of a further development of the argument, to be noticed presently, the reader is requested to observe that the Unionists retain, and presumably mean to use, their right to refuse 'to elect' to work with non-unionists.

The right to introduce piece-work was conceded, provided the terms were such as to allow a workman of average efficiency to earn at least the wages at which he is rated. An agreement with regard to conditions of overtime was also concluded. On the rating of workmen, the following conditions were accepted:—Employers shall be free to employ workmen at rates of wages mutually satisfactory—the Unions to fix such terms as they please for their own members. The Unions will not interfere in any way with the wages of workmen outside their own Union. There shall be no limit to the number of apprentices. Employers are to have liberty to 'select, train, and employ those whom they consider best adapted to the various operations carried on in their workshops, and will pay them according to their ability as workmen.' A clause making provision for avoiding disputes was also accepted.

The Conference then broke up, on the refusal of the masters to grant the forty-eight hours week, or



even a fifty-one hours week. The men's representatives then submitted the question to a ballot of their members in a somewhat peculiar form.

The members of the Society were invited to vote :  
(1) In favour of or against acceptance of employers' terms, which, as modified and agreed to provisionally at the Conference, were set out for the men's information.

(2) ' Please vote for or against endorsement of following offer made by men's delegates at Conference. The offer made was provisional acceptance of employers' terms, and return to work on the basis of a fifty-one hours week throughout the Federated area.'

The employers protested against the inclusion of this second question, as it was an alternative which they declined to accept. The result of the ballot was an overwhelming majority against both proposals. Whatever the feeling of the representatives may have been, it is clear that 'freedom of management for employers,' as interpreted in the accepted proposals of the Conference, is altogether unpalatable to those engaged in the practice of Trade Unionism. A few weeks later the men's representatives withdrew the demand for a forty-eight hours week, and asked that work should be at once resumed. The employers, however, who had all along contended that the hours question was by no means the most important issue, declined to open their works unless the terms provisionally accepted by the men's representatives were also accepted by the Unions generally. Upon this, with an inconsistency which is not altogether explicable, Mr. Barnes and the other leaders of the men turned

round and denounced the employers' proposals as 'Union-smashing.' It is difficult to see how conditions, which a few days before had been provisionally acceptable, could now be described as 'Union-smashing.' Circumstances, however, proved too strong for Mr. Barnes and his friends, and the strike was terminated by the surrender of the men.

It is impossible to estimate the loss caused by this unfortunate dispute. The men have sacrificed three millions of wages, and the masters have spent, it is estimated, one and a half millions. This leaves out of account the loss of the public through the delay in the execution of their orders, and the profit of the employers. Even more deplorable, in our opinion, than the material loss involved in such interruptions of trade, is the fruitless expenditure of ingenuity and passion and self-sacrifice, which, directed to more practicable ideals, might add so largely to the happiness and comfort of the labouring class.

It is not easy to avoid the suspicion that the dispute was unduly prolonged by the well-meant but ill-advised interference of the Board of Trade. The countenance which it gave to the Union's claim to machine monopoly in the Earle Company's strike, in the opinion of some well qualified to judge, was the cause of much of the trouble which followed. The late Colonel Dyer, who conducted the controversy with great firmness, frankness, and good humour, remarked that this lamentable dispute was not without its comic aspects; he referred

'to the ludicrous way in which prelates, philanthropists, professors, and politicians rushed into the arena with

minds entirely unprejudiced by any previous knowledge of the subject, armed with crude panaceas for all the ills of the trade. They did their very best, their intentions were good, but if they had not attempted to interfere on a subject of which they knew absolutely nothing, it would have been wiser in them, and better for all concerned.'

The late Cardinal Manning, in a letter dated Christmas, 1889, published in the 'Recollections of Aubrey de Vere,' p. 303, puts on record a curious comment on his own action in the Dock Strike. 'And now as to the strike,' he says, 'I can only say that I never thought about it, till I found myself in it; and I believe that our Lord used me as He did Balaam's ass.' *C'est magnifique, mais ce n'est pas la guerre.* We cannot seriously rely on the precedent put forward with such profound humility and exalted confidence by this distinguished ecclesiastic. We cannot found a policy on the expectation that the Board of Trade will be filled with the plenary inspiration of Balaam's ass.

We may take it for certain that the provisional agreement accepted at the Conference by the Union representatives did not, in their opinion at all events, imply any surrender of the strenuous attitude which they have thought fit to adopt. What connexion (if any) there is between the tactics of the Trade Union representatives on this occasion and the teaching of the academic apologists for Trade Unionism, we are unable to say, but there appears to have been an attempt to bring about a certain correspondence between theory and practice, and to this aspect of the question we may turn.

There are, in this connexion, three things which

require to be distinguished : (1) There is the actual practice of the Trade Unions. Some illustration of this has already been given. It involves a claim of one particular caste to work 'all band-saws,' and descends on occasion to such minute particulars that the engineers of the Naval Construction and Armaments Company, Barrow, struck because 'caulkers,' an inferior caste were using engineers' tools. The offending weapon in this case was a simple file. It, in some trades, limits apprentices to such an extent, that, *e.g.* in the glass-making trade, not even members' sons can enter the trade without permission of the Union. In this trade it is also stated that the employers have lost the power of dismissing a drunken and incompetent workman, without the approval of the branch committee of the Union. It sanctions also the use of threats against workmen who enable employers to derive the full advantage from improvements in machinery. It enforces its policy by a very real method of persecution and intimidation, which would be the more heartily condemned, just because it is so cunningly devised as to keep within the letter of the law, were it not that the aims and objects of Trade Unionism are invested with a reverence and sanctity which are held to justify means which in themselves are abhorrent to the instincts of civilization. (2) There is also the view of the subject taken by Mr. Barnes and his colleagues at the recent Conference. *Provisionally* they are content to abandon a large proportion of the practices now actually employed by Trade Unionists; but they hold this view so lightly that on slight provocation they turn round

and declare that concessions of this kind mean Union-smashing. (3) We have also to consider the attitude of the academic Trade Unionist, from whom possibly the view, so lightly thrown over by Mr. Barnes was derived. This, we think, is of sufficient importance to call for a more detailed consideration.

In their book 'Industrial Democracy,'<sup>1</sup> Mr. and Mrs. Webb set out in great detail the various methods which Trade Unionism has used. These do not materially differ from the general sketch which we have filled in with instances drawn from other sources. They proceed, however, to recommend the abandonment of several of these cherished plans and pretensions. Thus, on p. 810, we find that the policy 'of restricting the entrance to a trade or of recognizing any exclusive right to a particular occupation or service' is set aside. 'The old Trade Union conception of a vested interest in an occupation must be entirely given up.' The 'Device of Restriction of Numbers' also 'will be unreservedly condemned . . . as inconsistent with the democratic instinct in favour of opening up the widest possible opportunity for every citizen.' Similarly also the 'Device of the Restriction of Output' is rejected as a master's and not a workman's policy. All of these devices are the more readily renounced because, it is said, enforcement of them has really proved impracticable. Trade Unionism, according to this theory, must fall back on the enforcement of the 'National Minimum'; and, as this policy is conceived by our authors, it

1. Longmans Green & Co., 1897.

constitutes a very cruel and relentless form of coercion. It is to be carried out by obliging all workers to enter and conform to the rules of a Trade Union. The boycott, as legalized in *Allen v. Flood*, is to be employed for this purpose. The difficulty arising out of the fact that the maximum wage for an engineer is double that which can be obtained by, say, an agricultural labourer, is met by the dictum that behind the Union there is the State, which ultimately by legal enactment can enforce certain minimum conditions, or, as is recommended by our authors in the case of home work, actually prohibit and abolish industries which do not rise to the required level :—

‘ Meanwhile, democracy may be expected to look on complacently at the fixing, by mutual agreement between the directors of industry and the manual workers, of special rates of wages for special classes. But this use of the method of collective bargaining for the advantage of particular sections—this “freedom of contract” between capitalists and wage-earners—will become increasingly subject to the fundamental condition that the business of the community must not be interfered with.’

When this ‘fundamental condition’ seems endangered, the democratic state will proceed by compulsory arbitration, that is, by legal enactment.

If liberty of entrance to a trade is not denied, and if democracy is really going to be complacent in view of ‘special rates of wages for special classes,’ *cadit quæstio*; Free Trade is practically admitted, and there is an end of militant Trade Unionism. This, of course, is not what Mr. and Mrs. Webb mean. The renunciation recommended by our

authors is based on their statement that such restrictions are contrary to democratic sentiment, and that their enforcement has proved impracticable. If freedom of contract is allowed, it is obvious that occasionally the lower-paid grades of labour will, when competent, be apt to push into the employments which are better paid. To the Free Trader the fact is not disturbing, for he knows that the expansion of trade, due to an economical organization of industry, will create new and more profitable markets for every class of labour. Thus, in America a more or less complete absence of Trade Union restrictions has permitted the engineering trade to expand in a most remarkable manner, while at the same time it has allowed the workman to earn wages double, and sometimes three times, the rate earned by the same class of workman in this country. This illustrates the difference between free labour and the elaborate system of caste with which, to their own detriment, the Trade Unions of this country are burdening English industry.

Mr. and Mrs. Webb, however, do not believe in Free Trade, and they only recommend the abandonment of some restrictions because, as they think, they can suggest other methods of coercion which are more infallible. Their method of dealing with this difficulty, of the lower castes invading the trades of the higher castes, must be described in their own language. We have no hesitation in saying that it is vastly more chimerical than those schemes which they are now advising Trade Unionists to abandon as impracticable.

Mr. and Mrs. Webb explain their ideal thus.

Instead of the impersonal market which under Free Trade automatically regulates the rise and fall of wages—

‘the fixing of the conditions on which any industry is to be carried on is thus taken out of the hands of employers and workmen; the settlement will no longer depend exclusively on the strategic position of the parties or of the industry, but will be largely influenced by the doctrine of a living wage. The Trade Union official would then have to prove that the claims of his clients were warranted by the greater intensity of their effort, or by the rareness of their skill in comparison with those of the lowest grade of labour receiving only the national minimum; whilst the case of the associated employers would have to rest on a demonstration, both that the conditions demanded were unnecessary, if not prejudicial, to the workmen’s efficiency, and that equally competent recruits could be obtained in sufficient numbers without the particular “rent of ability” demanded by the Trade Union over and above the national minimum.’

We cannot say that this seems to us very practicable. Universal Trade Unions confronted with Universal Employers’ Federations, pleading in interminable arguments before some glorified Mr. Ritchie about their respective ‘rents of ability,’ is a conception which we cannot receive with the gravity due to the almost portentous seriousness of the ingenious inventors.

The abandonment of all attempts at coercion, and the frank reliance on the principle of freedom of contract, the only expedients likely to prove permanently acceptable to the instincts of a civilized community, are deliberately rejected by Mr. and Mrs. Webb, though, as we have seen, they are



disposed to pay the homage due from the coercionist to the true equity of freedom, by the recommendation of large concessions. This rejection is based on our authors' assertion that Free Trade tends to foster what they call 'parasitic trades.' This proposition brings us face to face with the real issue which underlies all this controversy. It is so important that we venture to dwell on it in some detail. The unsophisticated conscience of a civilized community, as even Mr. and Mrs. Webb's own argument testifies, is in favour of freedom. Nothing but the direct necessity warrants a departure from the rule. According to Mr. and Mrs. Webb, the alleged tendency of Free Trade to foster 'parasitic' conditions of industry constitutes such a necessity, and warrants the introduction of Trade Union and legislative measures of coercion, restriction, and in the last resort prohibition.

It will be readily admitted that wages in many trades are too low. This is a proposition which every one who has occasion to sell his services for wages will enthusiastically accept, but, to sustain their contention, Mr. and Mrs. Webb have to prove something more than this. They have to explain which of these unsatisfactory trades we are to stigmatize as 'parasitic.' They have next to show that their condition is due to Free Trade; and, lastly, they have to show that the evils complained of will be remedied through the supersession of Free Trade by the proposed restriction or prohibition.

Let us take first the case which has already engaged so much of our attention. The argument of the engineers, stated in the phraseology of Mr.

and Mrs. Webb, was that the condition of their trade was retrograding; that, in fact, it was in danger of becoming parasitic, and that it was falling below the national minimum *plus* that additional 'rent of ability' to which they thought themselves entitled. The employers' answer was something to this effect:—

'True, our trade is not advancing as rapidly as it should, and we are consequently not able to improve the pay and general condition of our operatives, as we should inevitably be compelled to do if our markets were expanding at the old rate. If our trade is falling into a parasitic condition, it is because we have to compete under Trade Union regulations of an antiquated and uneconomical character against the ingenuity of American manufacturers, who have a free hand in the management of their own business. Give us the same liberty, and we have no doubt that we can more than hold our own against the world.'

No section of Trade Union opinion seems to be really willing to give the employers this liberty of action. The Trade Unionist proper enforces the workman's claim to a monopoly of his trade. This point is surrendered in theory by Mr. and Mrs. Webb, but they are complacent towards coercive attempts to maintain arbitrary 'rents of ability,' and they strongly advocate the suppression of home work, and generally of all such trades as seem to them to fall below the 'national minimum' as regards the wages and conditions of labour.

Sir John Gorst, speaking on February 9th, at the dinner of the United Club, seems to take the same view. Colonel Dyer, who spoke before him, had, with great temerity, suggested that wages must be

governed by the market, but 'trades were only valuable,' said Sir John, 'when they could be carried on with reasonable remuneration to the workmen employed; and when they could only be carried on to the destruction of the health, life, and comfort of the workmen, it was better that they should gradually die out, and be carried on elsewhere under circumstances more profitable.

It is all very well in an academic treatise on Industrial Democracy to say that the law should prohibit poor people from working for profit in their own homes, or, in genial after-dinner oratory, to talk of allowing decadent trades to die out, or to transplant themselves to the more favourable conditions of the United States. Economic forces, which are obvious and irresistible, are slowly destroying home work; there is no need artificially to hasten the process, or, by sweeping prohibition, to kill also such occasional survivals of home industries as may be economically legitimate. In the case of the engineers, the employers will of course refuse to admit that their trade is necessarily a decadent and parasitic industry. They will not resort to the tame surrender recommended by Sir John Gorst without an effort. Even if the expansion of trade, which the employers expect from being allowed to use a free hand in improving methods of production, does not afford sufficient guarantee for a proportionate improvement in the condition of the workman—a hypothesis entirely opposed to the well-ascertained facts of industrial history—it is surely absurd to say that the conditions of labour against which the engineers struck are of such a character that they

ought to be prohibited by Trade Unionism or legislation. If these conditions are intolerable, it is obvious that the same reasoning will call for a cessation of the greater part of English industry.

Mr. and Mrs. Webb, however, may argue that this particular strike was ill-advised, and their sympathies will probably be with Mr. T. Mann, whose manifesto, already quoted, points out that if Unionism as understood by them is to be effective, the unorganized workers, numbering at least four-fifths of the whole, must be included in one solid aggressive federation. The assumption that the process called by our authors 'collective bargaining' would be more favourable to the labourer when conducted on a gigantic scale than when, as at present, sectional bargains are carried out separately by individual Unions, requires much more proof than Mr. and Mrs. Webb have condescended to give. The opinion and experience of Mr. T. Burt, M.P., a veteran Trade Unionist of the older school, can be cited in support of a contrary view. In one of his recent monthly circulars to the Northumberland miners, he says that—

'One result of the recent struggle will be to modify the views of those Trade Unionists who honestly believe the men's chances of success are necessarily increased by widening the area of the battlefield. It was often said that sectional strikes were sure to fail. Founded on observation and experience, his belief was that, other things being equal, the employers—and not the workmen—were strengthened by widening the area of the conflict.'

For ourselves, we are prepared to go much further

than Mr. Burt. This process of collective bargaining seems to us not to be a bargain or a contract at all, but an attempt to bring back the labourer to a condition of *status* from which the progress of civilization has partly emancipated him. It may be true that philanthropy and not feudalism now regulates the status of the national minimum, but in our view the distribution of labour by means of free contract has been in the past, and will be in the future, the labourer's best charter of advancement.

The recent dispute was between Federated Unions and Federated Employers, and according to Mr. Burt was not a mere sectional strike. Mr. and Mrs. Webb may argue that as compared with legislation and the universal Unionism, which they advocate, the engineers' dispute was a sectional quarrel. They may dissent, therefore, from Sir J. Gorst's view that the engineering trade should migrate to America, and declare that, for the present, at all events, their desire is to leave the additional 'rents of ability' to take care of themselves, and to devote the whole resources of Trade Unionism and legislation to putting an end to all industry that does not reach the 'national minimum.' This national minimum, it may be remarked in passing, is an extremely vague conception. It was one thing yesterday, it is another to-day, and those who do not despair of progress believe that it will be something better to-morrow. The question at issue is: Does the improvement which undoubtedly has come to pass, and the improvement which we expect to see, depend on an arbitrary and aggressive destruction of the lower types, as Mr. and Mrs. Webb argue;

or, as we contend, is it the result of the attractive and absorbent power of the higher civilization?

Let us consider, in further elucidation of the question, examples of parasitic trades as they are advanced by Mr. and Mrs. Webb.

On pages 753, 754, the 'nailers' in the Dudley district, the sweated slop-worker, and the girls working at 'ring-spinning,' a process in the cotton trade, are cited as persons suffering from employment in parasitic industries. The Census of 1891 throws some light on the effect of Free Trade (that is, our present modified adoption of that principle) upon the alleged parasitic employments of 'nailing' and 'slop-working.' The number of persons employed in hand nail-making declined during the decade 1881 to 1891 47 per cent. It is, in fact, a rapidly decaying trade. A considerable decline is apparent also in the number of seamstresses and shirtmakers, and this is accompanied by an increase in the number of better-paid 'female machinists.' Mr. and Mrs. Webb quote Lord Farrer's remark that Free Trade 'brings more profit to our manufacturers, and better wages to our workmen,' and they complain that the advocates of Free Trade do not set out the proof of this statement; but the fact, we submit, is patent. Probably the one thing proved by the Royal Commission on Labour is that the average of wages, both nominal and real, has largely advanced during the last fifty years.

In the case of the two trades which we are now considering, it is obvious that they both are survivals of the less efficient and primitive methods of work which were once universal. They are being

destroyed by Free Trade, and they have their origin in a condition of immobility and stagnation which is the very antithesis of free exchange.

The third instance is that of respectable and well-nurtured young women who are willing to work the ' ring-spinning ' process at wages from 10s. to 12s. a week. Such earnings, it is argued, are not a full maintenance. Most, if not all of them, have a home with parents or relations, and in this sense, according to our authors, the trade is parasitic, and in some way ought to be prohibited.

This argument, however, takes us a very long way. Is it really the case that the earning of 10s. or 12s. a week should be prohibited? The alternative is not that wages should be raised, but that these girls and everyone else earning similar low wages, shall not be employed at all. Ought agricultural work during the earlier part of this century to have been prohibited because the wages, not of a girl, but of a man, with possibly a dependent family, were less than 12s? Again, does the possession of parents and the ordinary ties of kinship tend to reduce the industry of the young to a parasitic condition? Is every workman who has accumulated some savings, and who therefore is not entirely dependent on his wages, necessarily reduced to a servile condition? Can full wages only be earned by persons who are absolutely proletarian? If so, the outlook of civilization is gloomy enough.

The whole idea is, we believe, an idle chimera, and need not alarm us. The market for women's services is, unfortunately, restricted, but it is less restricted than it has been. Voluntarily also, women

are narrowing their own market by ceasing to do field work and the rougher forms of manual labour—a step forward which, it will be agreed, is in the main matter for congratulation, and proof that women wage-earners are not the helpless victims of economic forces, as is sometimes alleged. The selfish policy of the Trade Union, and public opinion, have kept them out of some employments which they could follow. They, at least, have nothing to fear from the opening of the markets. Their present disabilities, natural and artificial, have not been caused by Free Trade. The prohibition of the employment of women under conditions which do not meet with the approval of the philanthropist, will not involve their absorption into industry on more favourable terms. The true economy of high wages is a paradox which the history of industry is every day establishing with greater certainty; but it is a beneficent principle which can be nullified when industry is confined by protective tariffs, by Trade Union restrictions, and by the other devices through which men seek to approach the chimerical ideals of Socialism.

At this point, it may be convenient to notice an experiment in combination which is attracting some attention among Trade Unionists. In some branches of the Birmingham hardware trade a combination of employers and workmen has been established, with a view of regulating prices as against the consumer, and also as against the manufacturer who is disposed to 'cut' prices. This is an elaboration, with a difference, of the sliding-scale system of wages, which at one time was popular in the coal



trade. It recognizes that there is a certain community of interest between the capitalist employer and the workman, and it accepts the doctrine that prices are governed by the demand and supply. This arrangement is rejected by Mr. and Mrs. Webb, on the ground that labour must be emancipated altogether from demand and supply. Demand and supply is all very well when a workman is earning high wages; but the principle ceases to be satisfactory when it condemns some classes of workmen to low wages and prejudicial conditions of labour. There is an interesting article on this 'New Trades Combination Movement,' by Mrs. Bosanquet, in the December number of the 'Economic Journal' for 1897. The movement, however, is not new; and though this, as well as the renunciations of Mr. and Mrs. Webb, represents a considerable advance toward a clear formulation of the issues, we cannot think that it affords any permanent solution for labour disputes. It ignores the fact that high wages can only be permanently maintained by economic causes; neither legislation, nor attempts at 'cornering and regrating,' have ever succeeded for long in dominating a market. Mr. and Mrs. Webb's criticism seems to us effective, though we cannot admit the practicability or justice of their own suggested remedy. The only just and impersonal regulation of price is the market. The ideal to which we must slowly work is complete liberty given to the employers' ability for the expansion of industry, and complete liberty for the individual units of labour to follow those trades which offer the best remuneration.

The assumption underlying the Birmingham combination, namely, that high and low prices are in some way the result of high and low wages respectively, is unwarranted. We believe, on the contrary, that the future of industry will combine, and to some extent in the relation of cause and effect, high wages and low prices. We are too much inclined to look for an expansion of our trade solely in foreign and colonial markets. A vastly more important element is the cultivation of our own home trade. For this purpose we may confidently rely on the effect of low prices and high wages for spreading the advantages of civilization through an ever widening circle of our industrial population.

In asking the reader to reject the coercive policy recommended in these volumes on Industrial Democracy, we have not hesitated to proclaim our belief in the sufficiency of the constructive principles on which our present industrial system is inevitably based. In the course of this dispute we have been reminded by the Duke of Argyll of how much depends on a right conception of the laws of social economy, and, in particular, of a true theory of value. We agree further with his Grace in the view set out in his 'Unseen Foundations of Society,' that the lay public has distinct ground of complaint against the professors of political economy for an exposition of the subject which is not particularly helpful. There appears to us to be a growing opinion that the reconstruction of the 'shattered science' of economics is to be looked for rather in the direction followed by Whately, MacLeod, and Mallet than in the eclectic empiricism which is

current in the doctrines of the official teachers of the science. The contributions of these three writers are unfortunately only fragmentary or purely theoretical, and the most practical treatment of the subject comes from the Duke of Argyll and Mr. Mallock, who are not economists by profession.

Colonel Dyer was evidently not a very attentive reader of modern economics, and indeed the man who had to manage the Elswick works was not to be blamed if he did not trouble himself about 'marginal utilities' and similar nebulous conceptions. He seemed to think that professors of economics still teach that labour is the sole source of value or wealth. It is not, of course, quite so bad as this; but undoubtedly the fallacy is most successfully refuted in the comparatively neglected work of Mr. MacLeod on the popular essays of the Duke of Argyll and Mr. Mallock. These writers have reminded us how, under conditions of security and freedom of exchange Ability has been able to organize Labour and indeed the whole of the brute forces of nature, for the service of man. The mobility of labour which enables it to turn away from the ill-requited toil of such primitive industries as agriculture, and to seek the higher-paid callings of modern industry, has made wages an exception to the general rule, that progress in industry means a reduction of prices. The movement of labour, in a free market and under the guidance of ability, has drawn away surplus population from agriculture and distributed it throughout the whole range of modern industry. The result has been a general levelling up of the conditions of labour. The benefit

thus achieved has been less marked than it might have been, because fallacies and misconceptions have been industriously disseminated, which prevent men from trusting their fortunes to the influence of the free market. It is impossible to exaggerate the importance of a true theory of value, or to over-estimate the mischief which is done by entertaining false conceptions on this subject.

If we are anxious to complete the picture, we shall do well to turn not only to the exposition of the economists, but also to the occasional speculations of great captains of industry. In a most suggestive presidential address delivered to the Institution of Civil Engineers in November 1895, Sir Benjamin Baker drew attention to another element which must be added to our conception of the mechanism by which a modern industrial community moves and has its being.

'The popular notion,' he says, 'that some great advance is due to the brilliant inspiration of a particular genius proves, on closer examination, to be wrong, as the advance was merely the result of the operation of the ordinary laws of supply and demand, and the genius himself very probably will have committed himself in writing to a sufficient extent to prove that he really was drifting with the stream rather than piloting the ship.'

Again, 'The men who built the "Santa Maria"—the long sarcophagus in which Columbus sailed to discover America—

'the "Royal Harry," and many larger vessels, were quite capable as artificers of constructing, with the same material and implements, clipper ships of 500 to 900 tons, such as astonished the world in the historical race from China to London in 1866.'

The condition which differentiates modern from primitive industry is not merely the presence of ability, still less the presence of brute force, but the gigantic volume of effective industry is drawn forward. An adequate analysis of this significant factor in modern civilization would take us far beyond the limits of this article; it is sufficient to indicate that this creative force of demand arises under conditions of security and freedom of contract, and that it is rendered effective by the extraordinary facility of exchange whereby, through a few strokes of the pen, the million-pound force of capital is brought as thoroughly under human control as the so-called horse-power of the steam engine, and electricity. The vast superstructure of commercial credit, an organization automatically and voluntarily evolved, and erected on a relatively infinitesimal basis of metal currency, acts as the arterial system of that demand which directs the movements of Ability and Labour.

In his latest work, 'Aristocracy and Evolution,'<sup>1</sup> Mr. Mallock develops his favourite theory with many new illustrations, and with all his old lucidity and force. He devotes considerable space to a criticism of Mr. H. Spencer's rejection of the 'great man' theory of progress as set out by Carlyle. It appears to us that Mr. Mallock, whose theory of the function of Ability is of course quite distinct from the view of Carlyle, unduly magnifies the difference of opinion between Mr. Spencer and himself. A reconciliation of Mr. Mallock's theory of Ability with the theory of progress propounded by Mr.

1. London : A. and C. Black, 1898.

Spencer is to be found, we think, in a right understanding of the condition to which Sir Benjamin Baker has directed attention. The absence of that condition, *i.e.* effective demand, explains why mediæval men of science wasted their time over the scholastic philosophy and the futilities of alchemy. Its presence to-day supplies the condition under which Ability is imperatively called on to superintend the movements of men and of matter.

This volume of demand is the aggregate of the spending power of the community, and it is fed from the earnings and economies of the humblest. The important consideration is: On what objects will it centre itself, what industries will it foster and quicken?

A curious paradox has been advanced by the late Sir E. Chadwick, that the wages of the poorer classes, even when at their lowest, were generally in excess of their ability to spend them wisely. Without pressing for a literal acceptance of this dogma, we believe that the poor man is the primitive man whose appetites still elude the discipline of civilization. The attainment of independence, the hope of a release from toil, have been ideals too remote to furnish motives strong enough to compete with the more carnal appetites of the primitive man. The gulf which separates the proletariat from the ownership of property is widened by the operation of a poor law and by ideals of promiscuity of property put forward by Socialists. While, therefore, the passive resistance of the proletariat to the discipline required by our present social system is in itself considerable, it may be influenced and

overcome by additional facilities and cheapness in the supply of those things which constitute the more elementary conditions of civilization.

For instance, the system of share-owning which Mr. G. Livesey has arranged for the workmen of the South Metropolitan Gas Company, if it could be more widely extended, might do something to direct to more profitable use that ill-spent surplus expenditure which Sir E. Chadwick detected in the economies of even the poorest. Again, excessive drinking is largely the result of the lack of un-intellectual amusements such as appeal to the duller spirits which are to be found among the poor as well as in every other class. A fall of 25 or 50 per cent. in the cost of bicycles, a result against which the late engineering strike was a stubborn resistance, would make the bicycle a more formidable competitor with the public-house than the comparative remoteness of independence and property, and all they connote, has ever suffered them to be.

The vastness and complexity of the voluntary and automatically working mechanism on which our industrial system revolves, should make the thoughtful pause before embarking on revolutionary or obstructive courses. The subject is large and our space is limited, but we have endeavoured to show that though this is not the best of all possible worlds, its present constitution is inevitable and sufficiently beneficent to be, at least, tolerable. 'Natura non nisi parendo vincitur.' Those who are privileged to advise the working classes are under a very solemn responsibility. The expansion of industry contains within itself an adequate

guarantee for the advancement of labour. Capitalism, as it is sometimes invidiously called, is inevitable; but there is an honourable and commodious place within it for the labourer, if he will abjure on the one hand the false ideals of promiscuity of property, and on the other the despairing inertia which in the past has chained him to a semi-servile dependence on the feudal State. We recognize in the Trade Union movement a passionate rebellion, with the inner meaning of which we heartily sympathize. The same intrepid spirit, which has prompted so many fruitless sallies against the windmills of capitalism, will, we hope, some day be directed to a more hopeful enterprise. The employers, on whose side in the recent contest the opinion of the educated and impartial public has undoubtedly ranged itself, must in the interest of labour as well as of capital be firm in upholding the sacred principles of liberty, but they will not depart, we hope, from the conciliatory and good-humoured toleration which we should be glad to believe has been and will be the spirit of both parties in this unfortunate dispute.



## CHAPTER III.

### TRADE UNIONS AND THE LAW.

'FREE EXCHANGE.'—'VOLUNTARY' VERSUS 'COMPULSORY' CO-OPERATION.—THE MOVING FORCES OF THE FUTURE.—LIBERALISM THE ANTITHESIS TO SOCIALISM.—TRADE UNIONISM A PHASE OF PROTECTION.—PRIVATE OWNERSHIP THE ALTERNATIVE TO A SYSTEM OF UNIVERSAL SCRAMBLE.—LABOUR A VERSATILE AND MOBILE FORCE.—REJECTION OF COMPULSORY ARBITRATION BY THE TRADE UNIONS. — PEACEABLE PERSUASION. — THE TAFF VALE JUDGMENT AND THE TRADES DISPUTES ACT.

CIRCUMSTANCES are combining to subject to the fiercest light of criticism the principle of free exchange as an organizing influence in our associated life. Mr. Chamberlain's campaign in favour of Tariff Reform and the Trade Unionist's dissatisfaction with the Taff Vale judgment are alike to be referred to a distrust of the advantage and the equity of freedom of exchange. It is pertinent therefore, whether such criticism points to the abrogation or only the regulation of exchange, to consider how much our social system already hinges on the automatic co-operation which results from the right accorded to individuals to exchange their property and their services. If we pause and allow our imagination to dwell for a moment on the organization which provides a town like London with its daily bread, we shall be carried to the ends of the earth, and called on to view a vast series of

exchanges dating from the remotest past down to the last humble service which to-day brings our food to table. So familiar is the operation of the principle that we are apt to overlook the silent all-compelling force of its influence. Exchange is to our industrial effort what the laws of gravitation are to the celestial bodies; and, relatively to the vast superstructure to which it furnishes the vivifying principle, the temporary frictions which, at any given period, obstruct its development are of infinitesimal importance.

It has sometimes seemed to us, as students of economic problems, matter of reproach to our academic economists that we have from them no reasoned apologia for this inevitable incident in modern civilization. Little effort has been made to impress the imagination with the stupendous fabric which turns on the pivot of exchange; and the air is full of querulous complaints of what, after all, are minor difficulties which still await solution. In the open competition and experience of the ages, free exchange has largely superseded the earlier regulative instincts of mankind. Voluntary co-operation, under which labour is exchanged for wages, has taken the place of compulsory co-operation, in which slavery was a necessary part. Private warfare and a State regulation of prices have yielded to the superior equity of settled industry and the impersonal verdict of the market, both based on the principle of exchange. Our ideas of equity have reached their highest level in our recognition of the individual right of each to a free disposal of his powers.

Politics is not a very logical trade, but it would be an injustice to the memory of Cobden if we overlooked the fact that Cobden was much more than a politician. The nearest approach to a philosophical defence of the principle of free exchange is to be found in the exposition of Cobden's esoteric teaching by his friend and disciple, Sir Louis Mallet, published, with other works, in a volume entitled 'Free Exchange.'<sup>1</sup> From a somewhat different point of view, as following from his definition of economics as the theory of exchange, and without any attempt to give it practical application, the same thought has been worked out by the late Mr. Dunning MacLeod, a writer whose peculiar idiosyncrasies have unfortunately obscured the very great merit of his work; and the tradition of Bastiat, Cobden's most distinguished foreign exponent, has been ably maintained by the so-called liberal school of modern French economists. Though in England our economic interest seems for the moment to have drifted away in the wake of German historical research, the real issue (which we admit may be elucidated by the heavier ordnance of Teutonic speculation) lies here—in the coming struggle between the liberal ideal, the ideal which underlies the thought of Cobden, a belief, in other words, in the principle of liberty and in the inherent equity of free exchange as an organizing influence, and on the other side, the principle of Socialism, whose strength lies not in the teaching, so far as we can discover, of any recognized authority (for the

1. Edited by Bernard Mallet. Kegan Paul & Co., 1891.

crudities of Marx are, we understand, disavowed by educated Socialism), but rather in the general feeling of discontent caused, legitimately enough, by the imperfections of our present system.

This country is within sight of a great reconstruction of political parties. In every civilized country in the world, with of course many local differences, the moving forces of the future are the gospel of Socialism and State regulation on the one hand, and on the other, the doctrine of personal liberty and responsibility, of which the Cobdenic teaching, as developed by his authorized interpreters, has given us, within the limited field of international trade, the most celebrated practical exposition and example. The English people is at heart sincerely Conservative, in that it has a deep distrust of experimental legislation. Rightly understood, the result of the recent election is a great Conservative victory. On the main issue submitted to the constituencies there is a clear determination not at present, at any rate, to reverse the fiscal policy of the last sixty years. If questions of principle have anything to do with the dividing lines between political parties, as in the long run must undoubtedly be the case, the position in the near future must be modified in view of the fact that Liberalism, using the term in its scientific and etymological sense, is the true antithesis to Socialism; but in the meantime there is much confusion of thought.

The hope of those who impugn our settled policy of Free Trade is to bring home to the working population that Trade Unionism, a policy which it favours, is a phase of the same principle of protec-

tion which, in respect of international trade, it condemns. If it is right, so the Tariff Reformer argues, to regulate and restrict the free exchange of labour for wages, why should it not also be advantageous to regulate and restrict the free sale of the products of labour. The predominant opinion in this country has approved the policy of free exchange with respect to our international relations, but apparently with almost equal unanimity it rejects the assistance of the same principle as applied to the relations of employers and employed. There is a logical inconsequence here which justifies the persistence with which controversy fastens on the point.

In the very interesting and valuable Report of the Royal Commission on Trades Disputes and Trade Combinations,<sup>1</sup> there is a separate memorandum by Mr. Sidney Webb which contains a very suggestive sentence :—

‘ I cannot accept ’ (he says) ‘ the assumption underlying the Report that a system of organised struggles between employers and workmen, leading inevitably now and again to strikes and lock-outs—though it is, from the standpoints of the community as a whole, an improvement on individual bargaining—represents the only method, or even a desirable method, by which to settle the conditions of employment. . . . I cannot believe that a civilised community will permanently abandon the adjustment of industrial disputes—and incidentally the regulation of the conditions of life of the mass of its people—to what is, in reality, the arbitrament of private war ’ (p. 18).

The suggestion that the current methods of Trade Unionism, necessitated by a departure from or a

1. [Cd. 2825.]

refusal to adopt the principle of free exchange, must often result in the arbitrament of private war is a notable admission. In other departments of our associated life, men have voluntarily sought an escape from such intolerable conditions by accepting the principle of personal liberty and private property as defined and developed by the science of jurisprudence. A common enjoyment of things that are limited in quantity is an impossibility; and private ownership, that is, monopoly as regards the particular object in question, has been the economic alternative to a system of universal scramble. The next difficulty which confronted, and still confronts, economic society is to find a remedy for monopoly; and hitherto the most efficient and equitable expedient has been the subdivision of labour and the right of exchange. If we may assume that the ideal of the social reformer is the largest possible common enjoyment of the good things of this world, the doctrine of Free Trade Liberalism is that the nearest approach that we can make thereto will be through that tendency to 'gratuity' (to use Bastiat's phrase) which, under the system of free co-operative effort, is lowering the price of the commoner necessities of life.

Obviously this ideal involves a belief in the versatility and mobility of industrial effort—a term which must be held to include the combined forces of industrial capital, direction, and labour. Fluctuations and changes in the course of industry are inconveniences which dog the path of industrial progress; but their cumulative result is the efficiency of modern productive methods as compared with

those of more primitive times. Statistics give no countenance to the idea that, in this long process of readjustment of industrial effort, the interest of labour has suffered. In the price of labour, at all events, there has been no tendency towards gratuity; and the theoretical explanation of the fact is simple enough. Industrial products are inanimate things which, as processes of manufacture are perfected, tend to grow cheaper. Labour, on the other hand, is a versatile and mobile force, able to turn itself to its most profitable market.

Even if we admit the popular apology for Trade Unionism, as embodying the undoubted right of lawful combination, and accept without question its record of service rendered to the cause of labour, it remains true that the principal force in the advancement of labour has been, not the trivial regulation of it by protective agencies, but the continuous readjustment of industrial force in response to the changes of the market.

Competition, it is said, tends to lower the price of commodities, and it is assumed that its influence is the same in regard to the price of labour. This, from the Free Trader's point of view, is a complete misapprehension of the situation. In recommending his system for universal adoption, he relies not only on the price-lowering forces of competition, but on its power to readjust and distribute to its best advantage the living forces of industrial effort.

The Tariff Reformer represents to us that, if our industry is to absorb the unemployed portion of the community, we must have freer access to foreign markets; the Free Trader looks with more expecta-

tion to the home market. In this country, the proportion of our home to our foreign trade has been estimated by competent persons to be in the proportion of ten to one. The expansion of the purchasing power of the home market is therefore the most important consideration. We cannot, if foreign nations refuse to buy, force our way into their market, but we can remove every impediment to the employment of our own people in our own markets; and here it appears to us that Trade Unionist policy is open to criticism. The Trade Unionist's mistrust of the market seems to us exaggerated. His efforts in the interest of labour are to some extent sterilized, because he ignores the beneficent readjusting forces of freedom of exchange. To some extent he may have an answer to the indictment of Mr. Pratt, whose narrative of the restrictive action of Trade Unionism is a document not to be ignored. The fact may be condoned; but no impartial person can altogether acquit the Trade Unionist of obstructing the readjusting current of the market. There is on the part of Trade Unionists an objection to unskilled men being promoted into skilled employment; there is a demand on the part of certain Unions for a monopoly of their respective trades; there is, in some quarters, an arbitrary restriction of the number of apprentices or learners; there is a practical prohibition to the employment of the aged and the less efficient workman unless he can win the wages paid to efficient and able-bodied men. The whole system presses heavily on the less skilled and the aged, and by excluding them from the circle of



wage-earners sensibly reduces the purchasing power of the home market. These powers are still further depleted by the burden which this policy throws on the rates; and the free organization, which should have allowed those who are ill-clad and ill-fed and inadequately supplied with the necessities of civilization, to exchange their services and to satisfy their several wants, is choked and brought to a standstill.

Meantime the Trade Unionist is importunately solicited to revise his opinion of Tariff Reform, and to seek Protection, not only for the price of his own services, but for the general products of home industries. Indeed he is told that the one cannot be maintained without the other, an argument which it seems to us is very difficult to meet. In a pamphlet—'Labour and Free Trade'—Mr. Burns makes what we may consider a representative declaration on the subject. He dwells, however, entirely on the plea that Protection will raise the cost of living, curtail the purchasing power of the community, and so reduce the employment of the people—arguments which we believe to be absolutely irrefutable; and he does not here attempt any justification of the Trade Unionist protection of labour. Yet this is surely a relevant and necessary part of the argument. The Trade Unionist party, of course, is not identical with the Socialist party. Naturally enough, the only favourable response to Mr. Chamberlain's appeal comes, as yet in rather faint tones, from the Socialist section of the Trade Unionist party. Mr. Keir Hardie and his friends see more or less clearly that an adoption of

Socialism would inevitably involve them in a conflict with Free Trade; and they openly declare that their support can be purchased by the party which will advance farthest in that direction. The Socialist party knows its own mind; and, in any alliance which it makes with the Protectionist section of the Unionist party, it will be the capturer and not the captured. Generally, so far as our observation goes, the answer given by the Labour advocate to the blandishments of the Protectionist takes this form—that the interest of Labour is a paramount interest, and that the secure enjoyment of a progressively advancing scale of wages is a social necessity. To this we may agree; but we demur to the corollary which is generally added, viz. that without the protection of the coercive devices which Trade Unionists assert their right to employ, wages would fall and the condition of the wage-earners be depressed.

Apart from its truth or falsehood, it is worth while to consider what necessarily follows from this melancholy assumption. It involves what Mr. Webb, a sincere well-wisher to Trade Unionism, describes as a continuance of private warfare. The alternative that he suggests is a further step into the policy of Protection, namely, compulsory arbitration and, 'incidentally,' the fuller regulation of the Socialist State. When brought face to face with this proposal for compulsory arbitration, the Trade Unionist world realises that its freedom is at stake; and at the Trade Union Congress of 1905 a motion in its favour was rejected by a large majority.

The assumption, then, that the pacific influence of free exchange is inapplicable to this problem involves either an adoption of a regulative Socialism, for which the Trade Unionist is not prepared, or a continuance of methods of barbarism—a fact which receives melancholy confirmation in the records of industrial strife as set out in Mr. Pratt's volume and elsewhere. On this point, however, let us quote the latest judicial utterance, namely, the verdict, unanimous on this head, of the Royal Commission :—

‘The evidence on this matter laid before us is on this point really overwhelming, and is evidence which the Trade Unions have made no attempt to contradict. What it comes to is this, that watching and besetting for the purpose of peaceably persuading is really a contradiction in terms. The truth is that picketing, however conducted, when it consists in watching or besetting the house, etc.—and it is to be observed that the statute places no limit to the number of persons attending for the purpose only of obtaining or communicating information, or to the length of time during which such attendance may be maintained—is always and of necessity in the nature of an annoyance to the person picketed. As such it must savour of compulsion; and it cannot be doubted that it is because it is found to compel that Trade Unions systematically resort to it. It is obvious how easy it must be to pass from the language of persuasion into that of abuse, and from words of abuse to threats and acts of violence. A considerable proportion of the cases of physical violence which occur during times of strike arise directly or indirectly out of picketing’ (p. 11).

Leaving on one side the question of technical legality, we need have no hesitation in saying that many of the methods used by Trade Unionists are

contrary to the comity of social intercourse, and, as such, are reluctantly adopted by the Labour leaders—whose good citizenship we do not question—in the belief that they are imperatively necessary to the welfare of their followers.

For this reason we are disposed to think that relaxation in the tensity of the situation is perhaps more likely to come from a recognition on the part of Trade Unionists that, after all, the market distribution of labour is the factor which has contributed most to the improvement of industrial conditions. Such an admission would not discourage the wish, which appears general, to conduct the bargain for the sale of their labour on a collective basis; but it should win a larger measure of toleration for those workmen who, for one reason or another, decline to surrender their initiative to Trade Union guidance. The feeling with which we rise from a consideration of the various legal points on which issue is joined in the controversy between Trade Unionists, as at present advised, and the law of the land, is one of despair. As we have said, the assumptions which, as we believe erroneously, the Trade Unions think themselves compelled to make, must necessarily lead them into acts which, whether they are legal or not, are distinctly destructive of the comity of social life.

We do not think, therefore, that it would be wise to attach much importance to the precise details which have brought about the present deadlock between Trade Unionists and the law. The quarrel is a very old one. Earlier phases of it have been marked by illegalities which would not now be

defended. The smashing of machinery is now, it is to be hoped, a thing of the past. Fair-minded representatives of Trade Unionism like Mr. George Howell, the historian of the movement, have condemned intimidation and violent treatment of dissident workmen. Mr. and Mrs. Sidney Webb, it is true, in their work on Trade Unionism (p. 280), point out that, notwithstanding this disavowal, the union to which Mr. G. Howell belonged was 'notorious for the success with which the Unions had maintained their practice of excluding non-society men from their jobs.' The disavowal, however, is characteristic, and will be found to have its counterpart in the admissions made by some of the most respected Trade Unionists in regard to certain details (to be hereafter noted) of the present controversy.

Mr. and Mrs. Webb—logically enough from the point of view of those who distrust free exchange but yet view present methods as savouring of barbarism, and who advocate, as an alternative, compulsory arbitration and the other incidental steps that lead to the complete organization of labour by the State—remark, in the work above quoted, 'that this universal aspiration of Trade Unionism—the enforcement of membership—stands, in our opinion, on the same footing as the enforcement of citizenship' ('History of Trade Unionism,' p. 280); and, they add, 'no Trade Unionist can deny that, without some method of enforcing the decision of the majority, effective trade combination is impossible' (p. 281). For ourselves, we are optimistic enough to believe that

the various expedients 'for enforcing the decision of the majority,' like older methods of coercion, will ultimately be disavowed and abandoned. Meantime, though condemned by the law-courts as illegal, and by Mr. Webb as survivals of private warfare, the Trade Unionists are loth to give them up; and we must now consider in more detail the verdict of the Royal Commission on one or two of the most important of their claims.

In carrying out their policy Trade Unions have come into conflict with the law mainly on three points :

1. The liability of Trade Union funds for the wrongful acts of the agents of the Union.
2. The statute law relating to picketing and other incidents of strikes.
3. The law of conspiracy as affecting Trade Unions.

First, as to the liability of the funds of Trade Unions. Up to the date of the decision of the House of Lords in the Taff Vale Railway case, there had been in some quarters an opinion that, by the Trade Union Act of 1871, and subsequent legislation, a Trade Union was exempt from the liability which attached to other similar associations, and could not be sued in tort under the general rules of legal procedure. The Trade Unions have argued that this decision, which adjudged the Amalgamated Society of Railway Servants liable to the extent of £23,000 for illegal acts committed by its officers in a quarrel with the Taff Vale Railway Company, was practically a new and judge-made law. A Bill was introduced in 1905 by

Mr. Whittaker to restore the Unions to the position which, it was alleged, they previously held.

Sir R. Finlay, speaking in opposition to Mr. Whittaker's Bill, March 10, 1905, pointed out that there was nothing in the Act of 1871, nor even in the debates on the passing of that Act, that expressed any intention to deprive an aggrieved person of his means of redress against a Union for acts committed by its authority. This seems only in accordance with equity and common-sense. In the same debate Mr. J. Wilson, the much respected Labour member for Mid-Durham, although supporting the second reading of the Bill, said that 'where the committee of a trade organization gave instructions, there was, in his opinion, no reason why they should not be responsible.' Similarly Mr. R. Bell, M.P., a high official of the Railway Servants' Union, speaking at the Trade Union Congress, 1903 ('Times,' September 10, 1903),

'failed to see how they could meet their opponents in the House with an argument for being placed in a position different and apart from all others under the civil law. Having argued that employers should be responsible for all accidents to workmen, no matter by whom or how they were caused, they were now, on the other hand, asking that whatever act might be committed, intentionally or deliberately, under the rules of an organization by its executive government or by an official organization, they should not be responsible for any action thus committed. In the Taff Vale case the rules were defied, the rules were violated; and, if the executive had adhered to the rules, there would have been no Taff Vale judgment (cheers).'

Mr. Burt, M.P., also, in a monthly circular to the

Northumberland Miners' Association, as quoted in the 'Times,' February 6, 1906, said :—

'The Unions should, in my opinion, frankly accept responsibility for the action of their agents when their agents are acting by the authority of executive councils. The law as to conspiracy and picketing should be amended and clearly defined. Trade Unionists are, for the most part, democrats, avowedly opposed to privilege; and yet they are to ask to be treated differently from everybody else. The Unions, I am glad to say, have in recent years increased enormously in membership, in funds, and in power. It will be difficult to argue that this increase of power should not be accompanied by some responsibility, and that the agents of the Unions, when acting under the authority of their executives, should not be amenable to law.'

There remains, of course, the question of agency. Opinions may differ as to what constitutes agency; but, so far as the question of corporate liability is concerned, these trusted leaders of Trade Unionism do not dissent from the distinguished lawyer whose opinion is quoted above.

This view is now confirmed by the Royal Commission, which also gives a very interesting and convincing explanation of the way in which the misunderstanding arose. Previously to the Act of 1871 a Trade Union was a mere aggregate of individuals; but there never was a time when, if all the individual members could have been included in an action for tort, their own and the Union's property would have been exempt from legal damages. The conditions for bringing a successful action, namely, the inclusion of all the members, were prohibitive; and no such actions were brought.



This defect in the law made itself felt with regard to clubs and other associations; and two forms of remedy were adopted. One is incorporation; the other, a relaxation of the rules of the courts so as to permit an action against representative defendants on behalf of the members of the associated body. This last expedient was confined to suits in Chancery; and the common law courts adhered to the rule requiring an exhaustive enumeration of the individual defendants, with the result that Trade Unions remained unamenable to actions in tort.

The Act of 1871 was designed to give Trade Unions a limited corporate existence. Incorporation was deemed inexpedient; they were accordingly given a special form of registration. Hitherto, having been societies in restraint of trade, they were outside the law, and without right to sue. The Act of 1871 removed this disability, more especially for the purpose of protecting their own funds from dishonest officials. For special reasons of policy, which have nothing to do with the present controversy, the Act 'did not enable any court directly to enforce agreement between a Trade Union and its members, or between one Trade Union and another.' Neither the Act of 1871 nor that of 1876, nor any other Act, betrays any intention to exempt Trade Unions from liability for actions in tort. The Taff Vale judgment established the point that a Trade Union could be sued in tort under its registered name; and the opinion was also expressed that any Trade Union, registered or not registered, could be sued in tort by means of a 'representative' action.

On the question of equity the finding of the Report, on this point unanimous, is very emphatic.

'It remains now to consider the question on the ground of justice and equity; and here the objections against disturbing the law as laid down in the Taff Vale case appear insurmountable. There is no rule of law so elementary, so universal, or so indispensable as the rule that a wrongdoer should be made to redress his wrong. If Trade Unions were exempt from this liability they would be the only exception, and it would then be right that that exception should be removed. That vast and powerful institutions should be permanently licensed to apply the funds they possess to do wrong to others, and by that wrong inflict upon them damage, perhaps to the amount of many thousand pounds, and yet not be liable to make redress out of those funds, would be a state of things opposed to the very idea of law and order and justice' (p. 8).

From the course that the argument has taken, it is obvious that the question of agency is of very great importance. Trade Unions have their branches and their officials; and the majority Report recommends that the central executive should be given means whereby they can protect themselves against unauthorized and immediately disavowed actions of branch agents. Sir Godfrey Lushington, whose impartiality and knowledge of the subject will not be questioned, expresses the opinion that this is unnecessary. It would be impracticable, he thinks, to allow any private association to frame rules which would exempt its officials from the control of the ordinary law of the land. Agency is not a matter to be determined by rules, but by the general circumstances of the case. We do not know how

this deadlock can be resolved. It seems inevitable that the determination to depart from the impersonal arbitrament of the free market, however necessary this attitude may be thought for the well-being of those asserting the right, must involve such dissentients in a struggle with the civilizing influence of the law.

The question is also raised whether it would be possible to exempt the provident funds of Trade Unions (there is a difference of opinion as to how far the out-of-work funds come under this head) from liability incurred in the course of a labour dispute. The proposal, we understand, does not meet with favour from Trade Unionists, who prefer to have their whole resources available, when necessary, for the prosecution of disputes in which they may from time to time be involved. In many, we believe in most, Unions the funds are massed, and only become 'provident' when they are not required for the other purpose. In the view of general equity, Sir Godfrey Lushington puts the matter thus :—

'Thrift is a good object; but thrift comes after payment of just debts, and, certainly not least, debts incurred in consequence of wrong-doing to others. . . . That workmen should collectively do wrong, and be able to refuse to those who have suffered from such wrong any reparation out of the funds they have collectively saved for their own use and benefit, is contrary to justice' (p. 71).

Next, as to the question of picketing. We have already quoted the strong and unanimous opinion of the Commission. The majority, however, believe that the oppressive action of picketing would be

sufficiently struck at if the Sub-Section of the 7th Section of the Conspiracy and Protection of Property Act, 1875, which prohibits 'watching and besetting,' were relaxed and made to restrain the person who 'acts in such a manner as to cause a reasonable apprehension in the mind of any person that violence will be used to him or his family or damage be done to his property.' Relying on the above-quoted general condemnation of picketing as necessarily a coercive proceeding, Sir G. Lushington and Sir W. Lewis protest against this concession. The proposal made by Mr. Whittaker's Bill was to legalize picketing for the purpose of 'peacefully obtaining and communicating information and peacefully persuading'—a wider concession which the Commission unanimously condemns.

The third point of those enumerated, which has engaged the lengthened consideration of the Commission, is the law of conspiracy. By Section 3 of the Conspiracy and Protection of Property Act, 1875, Trade Unionists were put in a favoured and exceptional position.

'An agreement or combination by two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute between employers and workmen shall not be indictable as a conspiracy, if such act committed by one person would not be punishable as a crime' (p. 13).

The Section excludes indictments for conspiracy, but leaves unaffected the civil remedy for conspiracy. It is now suggested by the majority Report, and with some reservation by Sir G. Lushington, that the policy of the Act of 1875 requires to be com-

pleted by exempting such actions from civil liability also. Sir William Lewis dissents, on the ground that the fact of an immunity from criminal liability in respect of acts which in other persons would be criminal is no argument for an extension of exceptional treatment in respect of civil liability.

Of necessity the law of conspiracy is very complicated. The nature of the law and of the protection which it is designed to give to the community is very well illustrated by an *obiter dictum* which occurs in the majority Report. Disclaiming any right to question the policy of existing Acts of Parliament, the Commissioners express a doubt, in connexion with the above-quoted Section 3, 'whether in truth an act done by a combination of persons can ever be the same as an act done by one.' The common-sense justification of a law of conspiracy is that it takes cognizance of the changed aspect of actions when they are done in combination. 'The demand, which on the face of it seems reasonable and plausible enough, that the law of conspiracy should be made clear and definite, is really attended with much difficulty. As the Report points out, the law of conspiracy 'is a valuable preservative of order; and modern times have shown that there are certain forms of oppression, generally known as boycotting, which can scarcely be met except by its aid.'

In this connexion, and to show how many interests are involved, it is worth while to note that, according to the speech of the President of the Trade Union Congress, 1905, as a result of negotiation with the Irish party, the Council 'are under an obligation to submit to this Congress the question

of including in their next Bill words which will cover the conspiracy laws as affecting Irish agricultural organizations.' This proposal to obtain, by a side wind, immunity for political associations like the Irish Land League is a sinister, but still a logical development of the policy proclaimed. A codification of the law of conspiracy, it is sometimes suggested, might in effect be nothing more than a help to evasion for combinations anxious to escape liability for coercive persecution of their neighbours.

Notwithstanding these apparently irreconcilable differences, there are signs that in practice a more conciliatory attitude is being adopted. Negotiations between the Unions and the employers are probably now more harmoniously conducted than they ever were. Many schemes for the automatic adjustment of wages have been tried, and some of them have worked satisfactorily. Most of these turn to some extent on the price obtained for the manufactured product of the industry concerned. Any scheme, even one for settling differences by 'tossing up,' is preferable to a dispute involving suffering and loss through an extended circle. It still remains, however, that the price of the product and the profit of the manufacturer have nothing to do, economically speaking, with the price of labour. All sound extension of industry such as is beneficial to the community at large involves a steady demand, and this in its turn, by the operation of the simplest laws of competition, involves a reduction of interest and profits. These favourable conditions cause, and are further stimulated by, a cheapening of products. It appears to us, therefore, that plans which make it

to the interest of the workman to keep up prices and profits or to restrict output are bound in the long run to prove detrimental to his interests. A continuous rise in the value of his services is assured to him by the versatility and mobility characteristic of modern labour, if we take a survey of its distribution over any lengthened period. It is not, of course, possible to transfer large numbers of adult labourers from one trade to another; but the supply is largely affected by the yearly recruitment of the young; and if, as we argue, the distributory force of the market is the factor on which depends the ascent of labour, it is a condition to be fostered and encouraged rather than thwarted and rendered feeble by over-regulation.

We are disposed to doubt if the ideal form of contract between employer and employed has yet been evolved. Arbitration and conciliation are admirable things, even when they are based on unstable foundations; but for the reasons given we cannot regard the more familiar forms of automatic wage-scales, depending as they do on economically irrelevant facts, as altogether satisfactory. We are disposed to look in other directions for more hopeful developments.

Trade Unions have ceased to be proletariate institutions; and it is when men begin to realize the value of their liberty and their property that they grow more ready to respect the similar rights of their neighbours. It is suggested in the Report, very wisely, as it seems to us, that Trade Unions should be given additional powers for entering into

contracts. The claim to a monopoly of employment in a given industry, or in a given piece of work, can only be obtained by a specific contract with the employers, who supply the plant and material and direction. It would be unreasonable to prevent Unionists from making a collective bargain to supply labour on terms favourable to themselves. They can give what is now too often withheld from captains of industry, cheerful and energetic co-operation, encouraged thereto by equitable terms of agreement. They have capital at their disposal; opportunity might be made for them to share the greater security and profit which is supposed to be reserved for the capitalist. If, for the purposes of practical discussion, we exclude schemes for the nationalization of the instruments of production—the chimerical proposal which is passed with a contemptuous unanimity at Trade Union congresses—any true scheme for the protection of labour must include methods for facilitating the conversion of the proletariat into a property-owning class. It is absurd to suppose that in this twentieth century the mere willingness and ability to labour—a condition which after all extends only over a brief portion of a man's life—are sufficient to enable him to live the civilized life. Some capitalization, made on his behalf, by his own favourite association, would supply a solution of more than one pressing difficulty of the workman's life. Such a solution would be in accordance with a principle of whose pacific guidance human nature has shown itself receptive, and would rescue industrial society from methods of private warfare as well as from the alternative



suggested by Mr. Webb—the complete regulation of labour by the Socialist State.

The financial power of the Trade Unions is great; their political power is even greater; and *noblesse oblige*. We are not without hope that moderation will prevail. If the fierce searchlight which is being thrown from so many quarters on the principle which, after all, is the basis of a civilization not altogether bad, should enable us to take a juster and better proportioned view of the good and evil which it contains, this controversy and this deadlock may prove to be a blessing in disguise.

This, however, is taking a long view. Meanwhile, with the introduction of the Government Trade Disputes Bill, the controversy is removed still farther from a solution. Sir J. Lawson Walton, in the course of his speech, quoted with approval the remarks of Mr. Burt and Mr. Bell cited above, but used the argument, sounding strangely on the lips of an Attorney-General, that consideration by judge and jury is consideration by an unfriendly tribunal. The Government was pledged to make concessions; and, in fact, the Bill so far as relates to the liability of Trade Unions, abolishes the law of conspiracy, gives a special and limited definition of agency, and legalizes picketing for the purpose of persuasion.

These concessions, even though they amount indirectly to a complete surrender, were not satisfactory to the Labour party, whose view was expressed by Mr. Shackleton as follows:—

‘They were told,’ he said, ‘that it was the intention of the Government to remove from the Trade Unions all the

liability possible, and they proceeded to carry out this intention in a certain way. But the Labour party preferred to take what they deemed to be an honest course, not seeking to obtain immunity by false pretences, as it were. Under the Bill the officials of the Unions could do the very acts about which complaints were made; and all that was needed to evade the consequences was that the executive should say that they repudiated those acts. They preferred instead to say that they would not take responsibility for those actions at all.'

Two nights later Sir H. Campbell-Bannerman, in a speech of amazing levity and recklessness, yielded to the clamour behind him, threw over his Attorney-General, and accepted the second reading of Mr. Hudson's Trade Unions and Trade Disputes Bill, expressly conferring on Trade Unions the powers which the Government had refused.

It is a poor defence for such a surrender to lawlessness that the original policy of the Government may possibly be restored and its authority protected against its own followers by the action of the House of Lords. Meanwhile the situation is not one which inspires confidence or respect. Only the most robust faith in the ultimate triumph of liberty and justice can survive such sinister betrayal of trust by those who ought to be specially solicitous for the King's peace, but are doing their best, by their recent action, to legislate it away.

## CHAPTER IV.

### THE WAGES AND SAVINGS OF WORKING MEN.

STATUS AND CONTRACT.—A WORKING-MAN'S PROPERTY.—  
STATUTE 43, ELIZABETH, CAP. II.—THE DRASTIC SURGERY  
OF THE NEW POOR LAW OF 1834.—THE INCREASED  
VALUE OF LABOUR AND THE IMPROVED POSITION OF THE  
WAGE-EARNER. — REAL AND NOMINAL WAGES. — THE  
NECESSARY CONDITION PRECEDENT TO A RISE OF WAGES.  
—THE CAUSES WHICH HINDER THE ADVANCE OF THE  
WAGE-EARNER.—THE OLD CONDITION OF 'STATUS' DIES  
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TO THE SUPERSESSION OF 'STATUS' BY 'CONTRACT.'—  
AGRICULTURAL CO-OPERATION.

THE history of the property of the working class is not a mere exercise in statistics: it is a study of economic laws which are fundamental to the very existence of civilized society. Sir Henry Maine has characterized civilization as the gradual transference of a population from a condition of *status* to one of contract. *Status*, in its fullest conception, involves

the customary or forced labour of the serf, and his exclusion from the benefit and responsibility of private ownership; to this is joined the plausible advantage derived from the promiscuity of possession inherent in the manorial and feudal ideal. Contract, on the other hand, implies that every man has a right of ownership in his own labour, in the fruits of his own labour, and a right of exchange. Fully understood, with all its corollaries, there is no more illuminating generalization in the whole course of social-economic speculation. A study of working-class property, in the light of it, will be found both interesting and instructive. If its past history is traced step by step, such a train of causality is thrown into broad relief that even the empiricism of practical politics might find food therein for reflection.

In our definition of the working man's property we adopt the language of Adam Smith ('Wealth of Nations,' Book I., chap. x.) :—

'The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and most inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper, without injury to his neighbour, is a plain violation of this most sacred property.'

We need not dwell in any detail on the gradual emancipation of the labourer from a primitive condition of slavery and feudal servitude. The dissolution of the feudal system left society face to face with a population of emancipated serfs, master-

less men who had surrendered or been deprived of the plausible advantages of their former *status*, and who had not yet acquired the necessary mobility of character and occupation to avail themselves of the new conditions of contract or exchange. Reactionary legislation, culminating in the celebrated Stat. 43 Elizabeth, cap. ii., restored to the poor man the plausible advantage of his former *status*. The gift took the shape of conferring on the labourer a statutory right of maintenance out of the poor rate. For nearly two centuries and a half the property which the poor man had in the poor rate weakened all his efforts towards industrial freedom, and finally, in that disastrous half-century 1780—1830, reduced him to a condition of parochial servitude. From this he was at last partially rescued by the drastic surgery of the new Poor Law of 1834.

The Royal Commission of Inquiry into the Poor Law, 1832—34, found the labouring classes of this country virtually imprisoned in the parishes in which they were settled. Yet it would be a mistake to suppose that this relapse into serfdom was caused by the positive enactments of the law of settlement. The law which authorized overseers to remove poor persons from a parish where they had no settlement, before they became chargeable, was repealed in 1795, and there is conclusive evidence that this was never universally or even largely enforced. The influence which brought about the imprisonment of the labourer was the spurious right of property which the Poor Law conferred on him. Notwithstanding the urgent demand for labour in the new industries which from time to time arose throughout

the country, the labourer (and we cannot blame him) continued to sit by the promiscuous flesh-pots of the Poor Law.

One of the most curious discoveries of the Royal Commission of 1834 was that the only members of the rural industrial population who had not been deprived of their self-respect and competence were precisely those persons who, by moving into parishes where they had no settlement, had thereby broken loose from the fatal heritage handed down to them in the Poor Law. These unfortunately were the exceptions. The point here to be noted is that the few who escaped the ruin so fatal to the value and character of labour were preserved by a certain heroic recklessness which led them to abjure any share in a fund put at their disposal in virtue of the fact that they belonged to the *status* of labourer.

The conditions under which the labouring man now contracts for the sale of his labour are, so far as the Legislature is concerned, free. The restrictions imposed upon him by his own associations are in many cases, we believe, ill-advised, but we do not propose to discuss them here. Our purpose is to set out the general advantages which have accrued to labour by its transference from a condition of *status* to one of contract. Our notice of the injury done to labour by self-imposed restrictions on its right of free contract can only be incidental, though the importance of this aspect of the subject would warrant specific and detailed consideration.

The increased value of labour is indicated by two separate facts : first, the increased wages for which

it is exchanged, and second, the increased purchasing power of these wages. In illustration of these truths we select one or two quotations from recent works on the subject, which will enable us to make a generalization as to the course of events; and then we must endeavour to disentangle the true sequence of cause and effect, and explain its relation to the theory which we are endeavouring to establish.

The bias of Mr. G. Shaw Lefevre<sup>1</sup> would not naturally be in the direction of exaggerating the improved position of the wage-earner. His testimony is therefore valuable. In an interesting paper issued by the Gold Standard Defence League, he writes with regard to the wages of the agricultural labourer, the worst paid of all the great labouring classes, as follows:—

‘It is, however, absolutely certain that in agriculture, equally as in other industries of the country, in the twenty-four years which have elapsed since the alleged deficiency of gold commenced, there has been no general adjustment of the wages of labourers in proportion to and consequent upon the fall of prices from the year 1873. On the contrary, money wages generally have risen since the fall of prices began; and as the fall of prices has been greatest in articles of prime necessity, which form the main consumption of the working-classes—such as bread, sugar, tea, cheese, the inferior classes of beef and mutton, and cheap clothing and boots—it is certain that, when measured by what the labourers can get for their money, their real remuneration for their work has very considerably improved.’

Conflicting explanations and deductions are made (*i.e.* a rise in wages and a fall in the price of

1. Now Lord Eversley.

commodities), but their general accuracy is not disputed. Whether a gold standard is a good thing or not, the price of labour has undoubtedly moved in an opposite direction to that of commodities. If bi-metallism would have given us higher prices for commodities, it would presumably have given us higher wages also, and the disparity between the two would have remained the same, though the standard of measurement would be expressed in different terms.

The following calculation with regard to agricultural wages and their purchasing power is quoted on the authority of Mr. Little. In his report to the Labour Commission he shows that the average price for a sufficiency of flour, butter, cheese, tea, and sugar for a week's consumption of an adult male labourer was in—

				<i>d.</i>
1860-67	...	...	...	50'41
1868-75	...	...	...	48'4
1876-83	...	...	...	32'62
1884-91	...	...	...	31'52
1892-94	...	...	...	29'2

a reduction of more than 40 per cent. between 1860-67 and 1892-94. At the earlier period, the average wages of an agricultural labourer are put at 12s. 3d. a week, and at the later period at 13s. 5d., exclusive of harvest wages. An average labourer's family, consisting of himself, his wife, and three children, is supposed to require the food of three adult males. In that case 12s. 3d.—the income of 1860-67—barely sufficed to provide such a family with bread, butter, tea, sugar, and cheese. The



harvest wages provided for rent and clothing. In 1892-94, 7s. 6d. only were required to purchase the same necessities, and a weekly surplus of 6s. remained for other purposes, independently of the harvest wages.

In the 'Economic Journal' for December 1898 there is an elaborate 'Comparison of the Changes of Wages,' by Mr. A. L. Bowley, a well-known statistician. The following figures taken from this article refer to all trades and carry the comparison back to an earlier period :—

AVERAGE REAL AND NOMINAL WAGES IN THE UNITED  
KINGDOM AS PERCENTAGES OF THOSE OF 1891.

		1840.	1850.	1860.	1866.	1870.	1874.	1877.	1880.	1883.	1886.	1891.
Nominal	...	61	61	73	81	83	97	94	89	92	90	100
Real	...	43	55	53	57	62	68	72	73	81	94	100

It may be noted that real wages show less sign of retrogressive fluctuation than nominal wages. Mr. Bowley's general conclusion is that 'the average real wages of regularly employed workmen and women in France, the United States, and England had doubled in the half-century ending 1891, and increased by one-half in a period of less than twenty years ending at the same date.'

In an essay entitled 'The Standard of Life,' Mrs. Bosanquet institutes some very interesting comparisons between some working-class budgets chronicled by Sir Frederic Eden in 1797 and those contained in a volume published by the Economic Club in 1896. At the end of last century a labourer with a wife and nine children represents himself and family as earning £25 per annum. He spent

£23. 8s. on bread. To food alone he devoted 89 per cent. of a total expenditure of £30. 14s. His expenditure on rent was 7 per cent. of the whole, and a very small margin was left for other expenses. In a similar family in 1896, the father earned 17s. a week. Of this sum only 48 per cent. was spent in food, 10 per cent. on rent, and 41 per cent. was left for other expenditure.

Sir Robert Giffen's calculations with regard to the half-century ending 1883 are familiar. Money wages have, in his opinion, risen some 50 to 100 per cent.; the hours of labour have been shortened 20 per cent. The only articles which have not fallen are rent and meat. To the labourer the price of meat was, during the first half of this century, a matter of indifference: he consumed none. With regard to the high price of house-room we shall presently give an explanation which will strengthen rather than weaken the hypothesis which we are now advancing. In 1883 the labouring class numbered thirteen millions, with an annual income of £41 $\frac{2}{3}$  per head; fifty years earlier they numbered nine millions, with an income of only £19 per head. Estimates as to earnings of the labouring class previous to 1834, and even afterwards, must take into consideration that the English labourer did not then live on his wages. The greater part of the English peasantry were, to some extent, dependent on the Poor Law, or in other words were still retained in a condition of *status*. The advance which the above figures illustrate, though by no means so complete and far-reaching as could be wished, marks the difference between the free

labourer, the owner of services for which civilized society is competing, and the parochial serf, imprisoned in the place of his settlement, receiving a pittance from his employer, restrained from going further afield to look for a better market, and dependent for the rest of his maintenance on the parish dole, obtainable most easily and profusely in proportion as he abjured all semblance of economic virtue.

The sixty years that have elapsed since 1834 are a short period in the life of a nation. In connexion with the rise of wages which the statisticians chronicle, we should note the following dates: 1834, the reform of the Poor Law; 1846, the most important legislative recognition of the virtue of free exchange; and 1865, the further emancipation of the labourer by the substitution of Union for parochial settlement. Is it too much to hope that we have now entered on a new era of progress, and, what perhaps is of even more importance, that we are beginning to understand the automatic principle which, in spite of natural obstacles and human folly, is leading to a happier organization?

Assuming, then, that commodities are cheaper, and that wages are higher, we have next to offer our explanation of the process by which these results are reached.

Labour, now that the imprisonment of settlement has been relaxed, is no longer a dead weight thrust upon an overstocked and confined market. By the assistance of steam power and machinery, also in virtue of its own greater mobility and adaptability, labour is ever leaving the badly paid trades, and

distributing itself afresh in those which hold out a better prospect of reward. Thus, throughout modern industrial history, there has been a continuous migration of labour away from the poorly-paid primitive toil of agriculture to the new industries created by modern enterprise. The result with regard to commodities has been greater efficiency of production, and greater cheapness. With regard to labour the result has been in an opposite direction. In the first place, the distribution above indicated relieves the congestion of an overstocked and falling market, and secondly, it carries the more adventurous and competent workman to other and more lucrative employments. Its general effect, therefore, has been to raise the wages of the rural labourer by moving the surplus population to the mine, the factory, and the shop, employments preferred by the labourer mainly, but not solely, because they are better remunerated.

This consideration points to a certain unification (if the term may be allowed) of the labour market. We are fast approaching the time when the different industries will compete actively for the available labour force of the country, more especially for the services of the young, the raw material, so to speak, which is yearly led to acquire the particular specialized aptitudes for which the market offers the highest reward. We have not yet reached this point, but it is distinctly within sight. The line of separation between the men who work machines in different trades is becoming more easily surmountable every day. Improved locomotion and the greater publicity now given to all wage-earning

contracts enable the prudent parent to direct his children's efforts into profitable channels. Many masters are now running after the competent and disciplined labourer, and this, as Cobden long ago remarked, is the one necessary condition precedent to a rise of wages.

It has been said that the principal financial discovery of the end of the nineteenth century has been the wealth-conferring power of the penny. The foregoing considerations explain this, and, indeed, other new and notable economic phenomena. The larger earnings which the better distribution of labour involves, have already created an increased demand for the simpler products of industry. The best new market for British trade consists in the greater purchasing power of our own industrial population. Sir Robert Giffen, in his recent paper on the 'Excess of Imports over Exports,' has suggested that the steadily progressive character of our own home market is diverting some of our industrial enterprise from the foreign to the home trade. In other words, our own artisans are better customers than the poorer industrial classes of other nations and the dervishes of the Soudan. This suggestion may throw some light upon another hypothesis much insisted on in these days—that of the superior knowledge possessed by the correspondents of the Foreign Office as to the best way of managing our foreign trade, and the ignorance of his own business imputed to the British trader himself. We have not much doubt that Sir Robert Giffen is right in the explanation which he offers of a paradox which we all instinctively know must be untrue.

If, as appears possible, we are ceasing to supply certain foreign markets, it may be not because our traders are effete, but because, following the indications of the free market, they find other forms of enterprise more profitable; and one of these new channels of profitable trade is, we believe, the new home market fed by the more abundant pennies of the poor. This tendency of a free-trading nation to hold to the more profitable and to relinquish the less profitable industries, is exactly the course followed by the units of that nation under a free contractual system. There is probably no more striking instance of the advantage of this policy than the economic history of the Jew. The Anglo-Saxon is now adopting, under the protection of free institutions, the cosmopolitan adaptability which persecution has forced upon the Jew. Just as British enterprise seeks in all lands only those operations which are profitable, so the Jews pick and choose the trades which offer the best return, and it is from this remarkable freedom and mobility of character that they get their undoubted commercial efficiency. Their success is largely due to the fact that they were never included in the feudal and parochial imprisonment which we have described, nor reduced to impotency by the so-called benefits of Stat. 43 Elizabeth, cap. ii.

Before passing on, we may notice some of the causes which still restrain our industrial population within the influence of *status*, and prevent them from availing themselves of the benefits of contract.

An imperfect knowledge of the complicated forces which govern the value of his labour has often led

the labourer, of his own free will, into a policy which seems suicidal to his own best interests. Of this character are the Trade Union practice of endeavouring to make each trade a monopoly for its own privileged members; the limitation of apprenticeship which prevents the stream of labour from flowing into the better-remunerated trades; the restriction of output in the vain hope that high prices for commodities will involve high prices for labour; the 'demarcation' regulations which practically reduce certain trades to the rigidity of Eastern caste; and the many other plans for running counter to the distributing influence of the free market. By checking movement in the several parts the advance of the whole mass is arrested. This mistaken policy is based on the plausible advantage which seems to accrue to the individuals who are sheltered from competition by the action of their Union. This is seen. What is not seen is that such restrictions, multiplied a thousandfold and compacted into a systematic policy, freeze up the currents which otherwise would be busily at work adjusting the supply of labour to the most urgent and therefore the most profitable demand. Such a policy ignores the fact also that, by this artificial imprisonment of labour in the less skilled and less profitable pursuits, the expansion of the home market is contracted. The continuous growth of this market, due to the increased expenditure rendered possible by the conversion of unskilled and ill-paid labour into skilled and specialized and better-paid labour, in itself constitutes a guarantee that the demand for skilled labour will be constantly progressive and remunerative.

A second obstacle to progress is to be found in the attitude taken up by a certain section of working-class opinion with regard to the Poor Law. We have recently heard it announced by a would-be leader of working-class opinion that the workman is now master of the rates, and that he means to take what he wants from them. This view was supported by irrelevant allusions to the iniquity of ground rents and by the exploded economics of the Marxian school. The claim now made is not that the earnings of the workman should be supplemented by the rates during the period of able-bodied life, but rather that the personal responsibility of the workman shall be confined to that period. Old age, sickness, the care of widows and children, are things for which the State must make provision. Where formerly we looked to the feudal community, to the parish, and in more modern times to the Union, we are now urged to look to the State. The fallacy is Protean in its variety. 'New presbyter is but old priest writ large.' The old condition of *status* dies hard.

We do not question the power of the working class to enlarge the statutory endowments provided for poverty; we question the wisdom of such a policy. The common property of the poor rate must, of course, be appropriated before it can be used; and ownership rests in the individual pauper who has made successful application to the Board of Guardians and established his right to be considered incapable of maintaining himself. This is his title-deed. Is it desirable, in the interests of society at large, that the sick, the old, the widow and the



orphan should be indiscriminately maintained in virtue of such a title? Mr. Charles Booth, who is not to be suspected of what Bentham used to call 'Electioneering and Bubbles,' has, by we know not what process of reasoning, selected the case of the aged for special treatment, and, admitting the unsatisfactory character of a title based on poverty, has proposed a universal pension of five shillings to rich and poor alike on attaining the age of sixty-five. Practical politicians have, with considerable unanimity, assumed that this proposal is too academic for serious discussion. Moreover, if this mode of treatment is suitable for old age, it is equally applicable to the other kinds of disability above mentioned, though this is a conclusion from which Mr. Booth himself would probably shrink.

For ourselves we are convinced that to make poverty a title to draw maintenance from a common fund is a practice which, though possibly necessary as a safety valve, and comparatively harmless under a carefully regulated Poor Law, can never be satisfactory to those who contribute or to those who receive the fund. Nor does Mr. Booth's proposal, liable as it is to be indefinitely extended by disciples more logical than their master, seem to us to supply an adequate substitute for those recognized forms of property which have been found convenient for the uses of civilized society.

This contrast between private and common property brings us to the second part of our subject, namely, the savings of the working classes. We have hitherto considered only the value of labour, the origin and foundation of all other property, and

we have suggested—the subject is too great for more than suggestion—that freedom of contract has been for the labourer the condition of emancipation and progress. We have now to consider the teaching of the contractual system as applied to those periods of life when wages can no longer be earned. We have noted the reactionary advice given occasionally by labour leaders and by a certain class of politician. Ignorance and lower interests may long delay the recognition of the true principles of progress, but we are sufficiently optimist to believe that such delay will not be permanent.

Following the instincts of human nature, the example of other classes, and the obvious teaching of experience—that man is a tool-using animal, and that without tools or capital he must become destitute when the days of his strength are past—labourers, or at least a section of them, have begun to accumulate wealth. The poor-rate and the vague promises held out by Socialist politicians, that they are about to invent some new form of property which shall be common for those whose days of labour are interrupted or concluded, are not considered adequate and satisfactory by the working class.

Mr. Brabrook, the Chief Registrar of Friendly Societies, has lately published in popular form the experience of his office.<sup>1</sup> He has cognizance, there, of some *three hundred millions* of property which has been put under his jurisdiction, because, for the

1. 'Provident Societies and Industrial Welfare,' by E. W. (now Sir Edward) Brabrook, Chief Registrar of Friendly Societies. London, 1898.

most part, it is the property of the working class. In dilating on the beneficence of a wider distribution of property, as opposed to the plausible advantages involved in archaic survivals of *status* such as the Poor Law, or in the new Utopias of Socialism, we are urging, therefore, a practicable policy which is already going forward.

Before passing on to notice the component parts of this large sum, it is worth while to notice how even in detail there is the same rivalry ever present between the old order and the new. If space permitted, conclusive proof could be adduced to show that the advance of the Friendly Society movement has been, at every step, silently and tenaciously opposed by the tradition of pauperism. Such proof may be epigrammatically summed up in the oft-quoted remark, 'The poor-rate is a club where it is all taking out and no putting in.' Its competition therefore has been most formidable to institutions from which actuarial science was demanding adequate (*i.e.* increased) premiums to cover the risks insured, and this of course from a membership whose ability to pay was all too limited. Even at the present day insolvent and inadequate clubs drag on an injurious existence mainly because they are subsidized by a mischievous distribution of Poor Law allowances.

With a strange obliviousness of the history of the Friendly Society spirit (which, as we shall presently show, is something wider than the mere institution), offers to assist Friendly Societies by doles out of public taxation have become part of the electioneering stock-in-trade of the common politician. These

institutions—so runs this marvel of argument—have saved many from pauperism ; special facilities should therefore be given to Friendly Society members to become paupers on more favourable terms than their neighbours, and to share in a public fund contributed for their special benefit by the community at large. The public reward decreed for their efforts very strangely takes the form of condemning them to that dependence which it has been their object to avoid. The following comment is made on another aspect of this proposition by Mr. Brabrook :—

‘The Friendly Society has done so much for its members, and contributed so largely to industrial welfare by increasing their self-respect and independence,—it has been so powerful an instrument of foresight and economy, and has led so many men to positions of influence and of dignity,—that it has strong and genuine claims upon the community, whose interests it has largely promoted. It is precisely for that reason that we do not wish to see urged on its behalf a claim that cannot be substantiated, and that from our point of view implies a disparagement of the member of a Friendly Society that he does not deserve ; for there is no evidence whatever that the class of men from whom the members of Friendly Societies are drawn is the class of men who would otherwise be paupers. Such evidence as there is is all to the contrary. The late Mr. Ballan Stead, Secretary of the Ancient Order of Foresters, stated in his testimony before the Royal Commission on the Aged Poor that out of the half-million of members who constituted that society, he could not find that there were as many as a hundred persons in receipt of relief under the poor-law. This is the more remarkable that the society itself does not insure (in the generality of cases) relief in old age as such, but only grants a sick allowance to an aged member when he is suffering from

some defined disease which disables him from work, and even then the allowance after short terms of full- and half-pay is reduced to quarter-pay of 2s. 6d. or 3s. a week. As the society does not directly insure him against pauperism in old age, we have to seek in some other direction for an explanation of the reason for his not becoming a pauper, and we find it in the moral character of the man himself. The considerations which induce him to belong to a Friendly Society are the same considerations which keep him independent of public aid in his old age.'

According to Mr. Brabrook the present amount of invested funds belonging to the Friendly Societies in the United Kingdom is about twenty-five and a half millions. It should be noted, however, that this is not the only asset which would figure in a quinquennial valuation sheet. A sum which a competent authority has estimated at at least fifty millions should be set down as representing the 'present value' of members' contracts to pay contributions. The fact that the principal items both in the liabilities and the assets of a Friendly Society are prospective, is one which adds stability to their finance. A deficiency disclosed at a quinquennial valuation can easily be removed by a slight reduction of the benefit promised, or a slight increase in the rate of contribution. The whole secret of successful Friendly Society management lies in the businesslike adjustment of the liability undertaken by the association to the premiums which the insured contract to pay. Mr. Brabrook's argument is forcibly emphasized by the reflection that the assets of Friendly Societies are not represented merely by twenty-five and a half millions of money,

but by what is far more important—a settled habit of thrifty contribution. While, then, the Friendly Society is year by year growing more equal to the limited risk which it covers, the members have acquired the habit and the character which, as Mr. Brabrook remarks, have enabled them to meet the other risks of life by appropriate action.

Nor is the training given by these admirable institutions confined to any one class. In the opinion of the late Mr. Ballan Stead, whose special experience made him a well-qualified judge, there is no class of the community so badly off as not to be able to support a Friendly Society and learn therein the economic arts of life. Here is what he said in reply to a question put to him by the Royal Commission: 'No, Sir, there is not a class which cannot. Some of our best courts are in the agricultural districts where the wages are lowest. Some of our best courts are in Suffolk, Dorsetshire, Hampshire, and other places like those. I can speak of that from knowledge.' It follows therefore that there is no class in this country that is debarred from attaining the absolute independence of Poor Law relief which, with very few exceptions, is enjoyed by the members of Friendly Societies.

This immunity of the Friendly Society community from the disease of pauperism is the result, we submit, of the adoption, by this large and important section of the working class, of the habit and character appropriate to the contractual system. This solid and beneficent achievement is the work, during a comparatively brief period, of classes long inured to a proletarian habit of life. Initial friction

being now overcome, we may assuredly look for accelerated progress in the future. We shall be confirmed in this view by a reference to the rapid rate of increase observed in the membership and funds of these provident associations generally. We take first the Friendly Society, for, as we have already seen, the man who insures against sickness, the only risk for which the Friendly Society makes full and adequate provision, acquires in the process the character which enables him to remain independent at all periods of life. We shall later on quote a few figures to show where some, at all events, of the additional savings made by the responsible section of the poorer class are deposited.

Prior to 1876—so Mr. Ludlow, the late Chief Registrar, tells us in an interesting valedictory report (1890, Part A)—the statistics as to Friendly Societies generally are very defective. In that year the number of members returned was 3,404,187 and the funds were £9,336,949. Ten years later, in 1886, the membership was 6,703,249 and the funds £20,352,256. According to Mr. Brabrook, the members amounted in 1898 to 8,078,816, and the funds to £25,408,253. Of these funds £22,695,039 belong to the Friendly Society proper, and £2,713,214 to the collecting societies.<sup>1</sup>

1. The funds of the collecting Companies, which are under the jurisdiction of the Board of Trade, are not included. These, in 1882, collected a premium income of 2,677,042*l.*; in 1896, 7,680,751*l.*; and the life and annuity funds were, in 1882, 2,165,679*l.*; in 1896, 14,404,271*l.* There is no means of estimating the growth of ordinary non-collecting insurance among the working class. The Prudential, a Company whose business is largely

The records of the two principal Affiliated Orders go back to a somewhat earlier date. The following table is compiled from Mr. Brabrook's volume :—

## THE ANCIENT ORDER OF FORESTERS.

	Members.	Courts.
1st January, 1845 ... ..	65,909	1,456
1st January, 1852 ... ..	89,875	1,605
1st January, 1898 ... ..	731,442	4,899

The funds were, in December 1870, £1,274,935, in 1897, £5,119,842, showing an average increase per annum of £142,404.

## THE MANCHESTER UNITY OF ODDFELLOWS.

This is the largest and most powerful Order ; it has few if any branches in Manchester, but is the most successful of the numerous secessions from the original body of Oddfellows.

	Members.	Lodges.
1st January, 1852 ... ..	225,184	3,219
1st January, 1898 ... ..	787,962	4,698

The funds of the Unity are given as £1,796,349 in 1865, and as £8,302,390 on January 1, 1898.

If this, then, has been the recorded progress of the Friendly Societies, it may be assumed, as Mr. Brabrook has justly remarked, that progress was

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among the working class, has an Ordinary as well as an Industrial Branch. In the former the policies are not weighted with the heavy expense of collection. The premium income of the Ordinary Branch of this Company in 1879 was 293,602*l.*, in 1888 it was 904,915*l.* and in 1897 it was 2,774,264*l.* The policies effected in this Branch are for 50*l.* or over, and represent the solid investment of an intelligent class. The Industrial business of the Companies and of the Societies includes the cost of a weekly collection, and is, and must be, a costly investment.



also being made during the unrecorded period of their history. As already indicated, the immunity of the Friendly Society members from pauperism is not due to their own funds, but to their thrifty efforts in other directions. Some indication of what these are may be gathered from the following list of the investments of the working class as given by Mr. Brabrook :—

' Trade Unions ... ..	£2,138,296
Friendly Societies ... ..	25,408,253
Working Men's Clubs ... ..	107,938
Other Societies under the Friendly	
Society Acts... ..	535,301
Industrial and Provident Societies	28,451,328
Building Societies ... ..	56,397,457
Trustee Savings Banks ... ..	53,699,532
Post Office Savings Bank ... ..	108,098,641
The Railway Savings Banks ... ..	3,124,069
The Loan Societies ... ..	265,869

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£278,226,684 '

This sum, taken with the annuities and assurances granted by the National Debt Commissioners, accounts, says Mr. Brabrook, ' for not far short of three hundred millions of money.' To this may be added fourteen millions for industrial insurance companies, and a good many millions for the ' ordinary ' insurances effected by the working class. The rate of increase of this total may be indicated by the statement that in 1877 a similar computation would have brought out the total of one hundred and eleven and a half millions, and in 1891 two hundred and twenty millions.

Considerations of space must confine our com-

ment to one or two items of this vast sum. It will be directed to show that even when considered in detail the progressive accumulation of working-class property makes an advance in the condition of contract, and a corresponding emancipation from the plausible advantages and counter-balancing restraints of *status*.

The amount of the funds belonging to Trade Unions is comparatively small; and, though some of their efforts seem to be directed mainly to upholding a rigid system of industrial caste, it should be noted that in normal times a large proportion of their expenditure is employed to enable members to discharge their ordinary responsibilities. Thus, in 1890, out of a total expenditure of £862,000, only £107,000 were spent on 'dispute benefits.' Of the remainder, £491,000 were applied to sick, out-of-work, superannuation, and funeral benefits. The security of these provident funds is precarious, as the first charge on the subscriptions is 'dispute benefit.' It has occasionally been urged by the more militant spirits that the provident side of the Trade Unions is rendering the members averse from investing their funds in the somewhat dubious security of 'dispute benefits.' That the influence of the provident side of Trade Unionism is in favour of industrial peace there can be no doubt; and industrial peace means the acceptance of a market as the only true and impersonal arbiter, and a growing disinclination to rely on a system based on caste-monopoly and force.

We pass next to the Industrial and Provident Societies, in which class the most important is the

Co-operative Society. Of the rapid growth of the movement the following figures are cited as a proof. In 1862 the total sales of the societies amounted to £2,333,525. In 1872 they were £13,012,120; in 1882, £27,541,212; in 1895, £55,100,249, or nearly twenty-four times the amount of 1862. The total sales from 1862 to 1895 amounted to £815,760,341, and the profits to £72,075,568.

The total number of Co-operative Societies Mr. Brabrook gives as 1,741. Of these 1,453 are 'Distributive' stores, while 259 are 'Productive' or manufacturing concerns. The number of persons employed in the Productive societies is 8,475, and the total number employed by all the societies is 61,322, of whom 33,619 are engaged in productive departments of work.

Looked at from a strictly logical point of view, there is no distinction between the distributing work done by the co-operative grocer and that which is done by the so-called 'Productive co-operative manufacturer; but this quite unreal distinction marks the line of a great difference in practice. The Productive Societies share their profits with their workmen. The Distributive Societies, as a rule, do not, although the Wholesale Societies have large manufacturing branches. This fact is variously interpreted. By outsiders it is quoted as a tribute to the convenience and equity of an ordinary wage contract, for the greater portion of the labour hired by the co-operative movement is merely paid at the current rate of wages. Among the co-operators themselves the subject has given rise to an interesting controversy. On the one hand, the usual system of

paying five per cent. to capital and returning the balance of profit to the purchaser in proportion to his purchases, to the exclusion of labour, is defended on the ground that one object of the co-operative movement is to eliminate profit. It is lawful apparently to receive five per cent. 'interest' on capital, but we must not talk about 'profit' either for workmen or for capitalist. Economists, for reasons which may be relevant for other purposes, have distinguished between interest and profit, but in this connexion the distinction seems to us to be invalid. Once we grant the earning power of capital, the terms of the contract on which capital is employed will vary according to the risks involved. The theoretical defence advanced for co-operative practice is, we suspect, merely an afterthought. If co-operators limit the remuneration of their workmen to wages, there is nothing inequitable in the practice. The idea that co-operation is a deep-laid Socialist plot to abolish profit is entirely contrary to fact. Co-operators naturally and properly take a great interest in the dividend, which they affectionately term the 'divy,' and also in the facilities offered by the Stores for the purchase of shares by instalment.

It is, however, urged by another section of co-operators that the ordinary wage contract is not satisfactory. It is particularly unsatisfactory, they say, within the co-operative movement itself. With generous enthusiasm, they argue that the wage contract ought to include a clause giving the workman a right to a deferred payment out of profits. Their contention is supported by many

considerations which are not to be gainsaid. It is not co-operators only who see that industry will advance more smoothly, and the interests of capital and labour be adjusted more easily, if a form of contract could be invented which would be satisfactory to both parties. Any plan which would convert a sullen and mutinous army into a contented and cheerfully industrious body of co-operators would obviously be of the greatest advantage to all. There is nothing revolutionary or reactionary in the proposal, and for ourselves we believe that in one way or another the principle will in the future be more and more largely adopted. What is wanted in the present crisis is not revolution or reaction, but an equitable form of voluntary contract. Towards this, the labour-partnership proposed by this section of co-operators would be a long step.

The chief difficulty with which the so-called Productive Societies have had to contend is that they have not as a rule been able to command the services of really efficient captains of industry. This is obviated when an established business, competently officered, admits to a sort of partnership the whole of its permanent staff. The motive for such a contract is, on the part of the employer, a desire to secure a willing rather than a mutinous army; on the part of the employed, a belief that he is thereby improving his industrial position.

The most notable success in this direction has been attained by Mr. Livesey, the manager of the South Metropolitan Gas Works. This, as we shall see, unites profit-sharing with capital-owning, a combination on which a good deal of its success

seems to depend. Ten years ago, after the disastrous strike of December 1889, the South Metropolitan Gas Works launched their profit-sharing scheme, 'with the object,' says Mr. Livesey in a letter to the 'Times' of January 5th, 1897, 'attaching the workmen to the Company and of encouraging thrift, and in the hope that capital and labour in this undertaking might be reconciled.' The bonus paid to the workmen is based on a sliding scale, which varies with the price of gas. Under the revised arrangement one-half of the bonus is invested in the Ordinary Stock of the Company, and the rest is payable in cash to the workmen, or, at their option, it may be deposited with the Company at four per cent. interest.

The result, at the date of Mr. Livesey's letter, was that £82,000 had been paid or credited to the industrial profit-sharers in seven years. Of this total £46,000 had been saved and £36,000 withdrawn and spent. A portion of this £36,000 has been returned and placed on deposit with the Company. The general position is thus given in Mr. Livesey's letter :—

£46,100 has been invested in Ordinary Stock.

£25,600 is on deposit at four per cent.

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£71,700

The market value of the stock purchased for £46,000 was over £59,000, a result largely due to the greater security produced by the better relations now existing between labour and capital. There were 2,500 profit-sharing stockholders. In December,

1898, there were 2,760 profit-sharers, holding £57,000 of stock, of a market value of £80,000, while the Company held also £29,000 on deposit; altogether £109,000. To the profit-sharers the benefit is obvious and solid, while as to the employers, Mr. Livesey declares that his Company has unquestionably received the money's worth of their concessions. The facts, Mr. Livesey concludes, 'show at any rate that, notwithstanding all the talk about Socialism, working men, if given the opportunity, share human frailties—if frailties they are—with the rest of us, and are quite ready to become capitalists.' If a cheerful and contented staff of workmen is not only a desirable but a necessary element in successful industrial enterprise, it is worth the notice of those whom it may concern that the form of contract offered to their workmen by Mr. Livesey's Company has secured that result. The remedy is not, of course, a sovereign remedy. Some of the workmen in the Gas Works, Mr. Livesey tells us, resist what we may call the civilizing influence of the scheme, and resolutely adhere to their proletarian mode of life.

In his volume already quoted, Mr. Brabrook devotes a chapter to Building Societies. Building Societies are societies which do not build: their function is to lend money on mortgage to their members. The original object of these loans was to enable members to become the owners of their own dwellings. In this respect the Building Society has played a considerable and useful part in that 'pulverization' of property which we affirm to be a necessary part of the contractual system. 'Looking

back,' says Mr. Brabrook, 'on the whole history of Building Societies, it is certainly not too much to say that a quarter of a million persons have been able by their means to become the proprietors of their own homes' (p. 164). The same authority quotes the statement of a resident of Bradford to the effect that 'nine out of ten of the houses in that town have been built by the aid of Building Societies. If this computation be correct, it is probable that Leeds, Rochdale, Oldham, and other towns would not be far behind' (p. 211).

Other developments of the Building Society have been less beneficial. The prestige gained by the Building Society proper has led a great number of poor persons to invest their savings in associations which, though nominally Building Societies, are really trading companies for the purpose of developing urban and suburban building estates, an enterprise of an extremely speculative character. It may be that the partial subjection of these associations (of which the 'Liberator' is the ill-omened type) to the authority of public Departments has lulled into a fatal security the vigilance of the shareholders and depositors; but, whatever the cause, it is notorious that this class of enterprise has sometimes been not only speculative but fraudulent. We confess to entertaining a profound suspicion of all legislative attempts to protect the purchaser of securities, which abrogate even to the slightest degree the good old maxim—*caveat emptor*.

While Building Societies, more especially in the great northern and midland centres of population, have done much to solve the question of the housing



of the working class, it would not be difficult to show that the unsatisfactory state of things in the poorer parts of London, and occasionally in the country, is due to the fact that house-room has never been made an article freely bought and sold in an open market. Land—a very ancient and important form of property—has never yet submitted itself to the simplicity of tenure and transfer which are characteristic of the contractual system. The inadequacy of working-class dwellings in the Metropolis is patent, and political empiricism is at no loss for a remedy. In its usual reactionary spirit it seeks to coerce the proprietor by statutory enactment to supply houses more costly than the customer can buy or hire. Warnings have not been wanting that the remedy was likely to aggravate the mischief, and in the poorer parts of London these fears are seen to be well-founded.

Many years ago Mr. Spencer (see his 'Social Statics,' p. 384, edition of 1851) drew attention to the difficulty into which we were drifting. The re-statement of the argument is taken from his 'Essay on the Coming Slavery,' 1885.

'The policy initiated by the Industrial Dwellings Acts admits of development, and will develop. Where municipal bodies turn house-builders, they inevitably lower the value of houses otherwise built, and check the supply of more. Every dictation respecting modes of building and conveniences to be provided diminishes the builder's profit, and prompts him to use his capital where the profits are not thus diminished. So, too, the owner, already finding that small houses entail much labour and many losses—already subject to troubles of inspection and interference—and to consequent costs, and having his

property daily rendered a more undesirable investment, is prompted to sell; and as buyers are for like reasons deterred, he has to sell at a loss. . . . What must happen? The multiplication of houses, and especially small houses, being increasingly checked, there must come an increasing demand upon the local authority to make up for the deficient supply. More and more the municipal or kindred body will have to build houses, or to purchase houses rendered unsaleable to private persons in the way shown—houses which, greatly lowered in value as they must become, it will, in many cases, pay to buy rather than to build new ones. Nay, this process must work in a double way; since every entailed increase of local taxation still further depreciates property. . . . Manifestly the tendency of that which has been done, is being done, and is presently to be done, is to approach the Socialistic ideal, in which the community is sole house proprietor.'

Now the municipality, even if it embarks in the business of house building, obviously can never overtake the whole demand. Its doings in this respect will be vigorously contested, so that the result of this reactionary policy is practically to substitute for the eager tradesman, anxious to supply the best article for the money, a harassed body which has to extort its capital from unwilling contributors, and which increases the burden of the ratepayers with every extension of its work.

We have dwelt already on the immense advantage conferred on the poorer classes by the establishment of a free market for food and the other common necessities of life. In the supply of houses exactly the opposite policy has been followed. The enactment of a statutory quality for houses has failed to produce an adequate supply. On the contrary, it

has brought about a famine, which can never be fully relieved by municipal enterprise. Further, in every transaction for the buying or hiring of a house, the parties have between them to pay the poor rate, the education rate, the vestry rate, the county rate; and of recent years the aggregate of this burden has largely increased. The building of new houses, and the enlargement and improvement of old houses, have therefore come to a standstill. What else was to be expected? It is surely absurd to affect surprise.

One other illustration of our thesis may be derived from Ireland, a country which often baffles the economist. Irish land legislation has been revolutionary. It can only be compared to the confiscation of ecclesiastical property carried out by Henry VIII. The old monkish owners have disappeared entirely, but the Irish landlord remains as a rent-charger. The owner of the greatest share of Irish land is now the tenant. Putting aside the question of the justice of these transactions, we have little doubt that the more high-handed action of the Tudor monarch was, from the point of view of public policy, the less detrimental. A more unworkable system than the present system of land tenure it passes the wit of man to imagine. The industrial view of life is practically extinguished in Ireland. In Ireland the annual value of land, as between landlord and tenant, is not what it will fetch in the market, but what certain Government valuers say it is worth. But even in Ireland the tenant sells his tenant-right for what it will fetch. As between outgoing tenant and incoming tenant there has never been any

attempt to set aside the rule of the market. Human nature has been expelled with a fork, as between landlord and tenant; it has come back again as between tenant and tenant. What Ireland requires is the re-introduction of free contract into the management of land, the principal industry of the country.

There are occasions in the history of nations when revolution becomes a necessity, where the social economy has become so disordered that the only available remedy is either a violent division of property or the extermination of the proletariat which seeks redress in revolt. Whether the condition of the Irish nation, on the eve of Mr. Gladstone's land legislation, was approaching that condition or not, we are not prepared to determine. We may admit, however, that to the modern conscience a legislative re-distribution will appear preferable to either of the foregoing alternatives. If the Gladstonian policy had merely been a confiscation, once and for all, it would by this time be more or less ancient history, like the ecclesiastical confiscations of Henry VIII. Unfortunately, as it appears to us, the transference of property has not been complete. The impossible attempt has been made to invent for matters of buying and selling some form of arbitrament other than that of the market. That the Acts in this respect have been a failure no well-informed person will at the present day seek to deny. The higgles of the market is not an operation about which moralists will wax enthusiastic, though, on the whole, we maintain that commerce has had an ennobling and civilizing influence on our social life;

but be that as it may, the conclusion of a bargain in the market is a dignified and elevating act compared with the intrigue, perjury, and deep-laid conspiracy to defraud which in too many cases characterize an appeal to the Courts to fix a statutory rent.

With perhaps the exception of the English poor-law and the housing of the working class, which we have already dealt with, Irish land legislation represents the most sustained and elaborate attempt to withstand the gradual supersession of *status* by contract. The failure of the Irish experiment seems universally admitted. The Acts, it is generally conceded, must be amended in one or two directions. Either, by a process of reaction, which not even the empiricism of modern politics will attempt, we must revert, as Mr. Davitt has always urged, to the primitive communism of Nationalization, a policy so vague and indefinable that it is not possible to consider it seriously; or we must get rid of the mediæval anachronism of Statutory Courts for the regulation of prices, and give facilities (this time, it is to be hoped, not without due compensation) for getting rid of the divided ownership introduced by the earlier Irish Land Acts. There can be little doubt that the latter is the only practicable alternative.

Everywhere the 'law of least effort' seems to justify the view that the contractual ideal of life is necessary and inevitable. The attempt to introduce a different system into Ireland has obviously failed, and it is curious to see how this fact is being recognized even by the perfervid temperament of the Celt. The Rev. Father Finlay, Vice-President

of the Irish Agricultural Organization Society, a Roman Catholic priest, and we believe a Nationalist in his political sympathies, in an admirable address on 'Co-operation and the Saving of the Celt,' speaks as follows :—

'I cannot help observing that though during the last half-century we have had many political movements vigorously carried out, and though we have had land legislation in abundant measure, neither the great movements of politics nor the heroic efforts of legislation in reference to the tenure of land have appreciably affected the deadly drain upon the life of the people.'

The Reverend Father in the course of his remarks quotes the opinion of a foreign gentleman for whose judgment in other respects he has great esteem :—

'The result of his investigation was summed up in the omnibus phrase, "The Celt must go." This was the course of his reasoning, as he explained it :—"The existence of a people or of a race in modern times depends upon the degree in which they are able to maintain themselves in the industrial struggle which is rife wherever civilisation has extended. Success in this struggle is won by perfected intelligence, by the use of the higher methods of industry, by the application in production and commerce of the fruitful inventions of science. The Irish peasant either will not or cannot adopt these--the sole effective means of success. By this fact he is condemned first to inferiority, then to inaction, and finally to extinction." Gentlemen, from that forecast of our destiny I make bold to dissent.'

We also by no means share the pessimistic view of Father Finlay's foreign friend. Nationality is not an insuperable bar to the teaching of the arts

and sciences of life. Hitherto English rule has not succeeded either by coercion or concession in acclimatizing the contractual conditions of industry in Ireland. One of the happiest auguries of the future is the success which seems to be attending the patriotic efforts of Mr. Horace Plunkett,<sup>1</sup> Father Finlay, and the other promoters of business-like co-operation in Irish agriculture, the staple industry of the country. The people are becoming sick of the desolating rhetoric of politics, which has succeeded only in bringing back the statutory prices of the Middle Ages, in banishing political economy to Saturn, and in depriving the country of the security necessary for all progressive industry.

Political economy is beginning to creep back again. The Co-operative Credit banking system has already established a firm hold. Co-operative Creameries and co-operative purchase of agricultural requisites, manures, seeds, etc., are giving the Irish peasant a chance of competing in the open market. The movement is only nine years old, and yet substantial and encouraging progress has been made. In the autumn of 1898 Mr. Horace Plunkett told the Economic Society of Newcastle that one hundred and fifty Co-operative Creameries were in existence, with a shareholding membership of 18,000. This was the first experiment. Later, the movement was extended, and at the end of last year there were seventy-nine Co-operative Agricultural Societies, with a membership of 8,100. The smaller societies are federated in a central association for the larger purposes of trade. 'Up to the present

1. Now the Rt. Hon. Sir Horace Plunkett, D.L.

time,' says Mr. Plunkett, 'two hundred and eighty-three societies, scattered throughout every county of Ireland, with a membership of 30,600 farmers and labourers, mostly heads of families, have been registered, while some twenty more are in course of formation.' The dairy farming is based largely on an imitation of the Danish system, and the result has been that Irish agricultural produce is regaining old markets and capturing new.

Mr. Plunkett has been reminded by an anonymous correspondent 'that the movement of population from the fields is not peculiar to Ireland: it exists everywhere'—with this difference, that the Irish generally emigrate to the United States while the English labourer migrates to the town. 'If the Irish race is to be kept alive on Irish soil there must be a development of manufacture in Irish towns.' To this Mr. Plunkett makes the following admirable answer:—

'We have always admitted that reliance upon a single industry, and that a declining one, is not a healthy condition for any country. But we hold that the prime factor in reviving lost industries, or in starting new ones, is an industrial class, and that this depends upon the creation, by education and training, of industrial habits.'

Industrial habits, translated into the language used by Sir H. Maine, are nothing more nor less than the life regulated by conditions of contract. As Mr. Plunkett points out elsewhere, industrial habits have been acquired in the North of Ireland, and, we may add, in Scotland and in England, by the automatic co-operation of commerce. Co-operation, in the limited and distinctive sense of the term, does not



differ essentially from ordinary trade. Its lesson is the same, and if the southern and western Irish Celt will submit himself to its teaching, the result will be the same, the secure foundation of the industrial habit.

In another part of his address Mr. Plunkett alludes to the establishment of Agricultural Credit Banks. This, though the latest part of the association's work, is probably destined to be the most important of all. Again the system is imported, this time from the well-known Raiffeisen Banks of Germany. It has been said that the Celt can conspire, but that he cannot combine. The experience of these Banks seems to falsify this charge. The Celt is not unteachable, but he wants to be directed by the 'ability' of the best spirits of his own race. This guidance we are happy to see he is getting, without distinction of party or creed, from the Irish Agricultural Organization Society.

The desirability of increasing by legitimate means the size of the normal Irish holding is generally conceded; but of what use is this, if the Irish peasant can put no capital into the land? Even those who believe in the feasibility of creating a small peasant proprietary, content with the scanty returns of their small industry, are aware of the need of capital. Credit Banks on the Raiffeisen system supply this want:—

'Up to last week,' says Mr. Plunkett, speaking in the autumn of 1898, 'we had organised thirty-one of these associations, with a membership of nearly two thousand, and the system is now likely to be rapidly extended throughout the rural districts of Ireland.'

Independent testimony to the value of the work that is being done is given by Mr. V. Hussey Walsh in an interesting letter to the 'Spectator' of 31st December, 1898. It is worth pointing out, that Scottish agriculture was made more than a century ago by the judicious system of credit established by the Scottish commercial banks. It has been left for the co-operative movement to bestow the same boon upon Ireland. The co-operative bank will reach a humbler class than those which are served by commercial credit, but it will teach the same lesson, viz., that a community where the punctual performance of contract is the rule has added vastly to the material wealth of its members, by rendering possible a well-organized system of credit. When this is achieved every hopeful enterprise, even that undertaken by the poorest, can reckon on the assistance of capital obtained on reasonable terms.

If the reader is curious to see an illustration of the strange way in which political economy is again beginning to assert its sway in Irish affairs, we venture to refer him to a curious little book recently published—'Killboyland Bank, or Every Man his own Banker,' by E. M. Lynch, London, 1896. It is an economic treatise on popular banking credit, served up in the form of a novel. Miss Harriet Martineau, a lady by no means Celtic in her ideas, once wrote a series of economic tales, which had a considerable popularity sixty years ago; but they fall far short of this curious and gratifying blend of perfervid Irish sentiment and sound economics.

## CHAPTER V.

### THE MINIMUM WAGE.

THE ARGUMENT FOR A LEGAL MINIMUM WAGE.—IS IT PRACTICABLE OR NECESSARY?—THE FACTORY ACTS AND SOCIAL ORGANIZATION.—THE EFFECT OF A MINIMUM WAGE UPON INDUSTRY.—PROTECTION A NECESSARY CONSEQUENCE.—MINIMUM WAGE LEGISLATION MUST BE INTERNATIONAL TO BE EFFECTIVE.—WHAT IS A 'LIVING WAGE'?—SOME RESULTS OF THE WAGE POLICY IN THE AUSTRALASIAN COLONIES.—WHY WAGES HAVE RISEN AND THE PRICE OF COMMODITIES HAS FALLEN IN RECENT YEARS.—THE TRUE REMEDY FOR INADEQUATE WAGES.—TRADE UNIONS ARE DUE TO GOOD WAGES AND NOT GOOD WAGES TO TRADE UNIONS.—MONOPOLY AN INJURY TO THE CAUSE OF LABOUR.—MARX'S FALLACIOUS PREDICTION.—THE SERVICE THAT FREEDOM OF EXCHANGE PERFORMS FOR LABOUR.—WAGES MUST ULTIMATELY DEPEND ON THE RELATION BETWEEN THE DEMAND AND THE SUPPLY OF LABOUR.—THE DISMAL CHIMERA OF SO-CALLED 'PARASITIC' TRADES.—GENERAL CONCLUSION.

WE intend in the following pages to consider how far the proposal to enforce by legal enactment a minimum rate of wages is practicable and how far it is necessary. As we understand it, the argument is somewhat as follows. Competition tends to bring down the price of commodities; and it is assumed that competition, if unrestricted, will reduce the price of labour. The free market, though it may be favourable to society by reducing the cost of

living, does not result in the maintenance of high wages. So it is argued; and, to counteract this tendency of the free market as regards labour, we have our Trade Union system of restriction. Few trades, however, are so situated that Trade Union rule can be described as paramount. There is in most trades a minority of workers which is willing, if not anxious, to conclude its own bargains. There are also many trades without any Trade Union organization at all.

What is to be done in such cases where, failing, from one of the above-mentioned reasons, the intervention of the Trade Union, wages, according to this theory, might be expected to fall to an intolerably low level? There is, in the preliminary stages of this debate, a considerable amount of controversy as to what a Trade Union is justified in doing in order to compel all labourers to join it, and what are the limits of the monopoly which it is entitled to claim as against Non-unionists in each particular industry. Very exceptional privileges have been conceded to Trade Unionists by recent legislation; but, notwithstanding this, it seems to be generally assumed, by those who are pessimists as to the fate of labour in the open market, that it is necessary to resort to legislation in support of the principle of the collective bargain. Accordingly we have proposals, such as the one we are now considering, for fixing by statute or otherwise a national minimum rate of wages. The argument may be summarized thus. Where collective action by the workmen is established, a collective bargain has been obtained, and a collective bargain is

assumed to be an equitable bargain, more or less advantageous to the workmen; where collective action has been found impossible, the aid of legislation is deemed necessary to prohibit employment under a minimum rate of wages.

At the outset we venture to express a doubt as to the propriety of the phraseology employed in this controversy. In what sense is this so-called collective bargain a bargain at all, supported as it is by the exceptional privileges of Trade Unionism and by a statutory prohibition of work on terms unauthorized by Trade Union approval? Does it not really imply an abandonment of the principle of exchange (which is of the essence of a bargain) and the beginning of an attempt to regulate wages on some estimation of the income which ought to be at the disposal of each labourer in an ideal state of society? And if it is such a beginning, how far are we going to allow it to carry us?

There are those who argue that our factory and sanitary enactments already concede the principle of the minimum wage, and that for practical purposes it is not worth while to resist the proposal by appeal to any general principle. For better or worse, the reign of the general principle is over; and we now guide our political conduct by what we call the merits of each case and the exigencies of the hour. Practically, however, the proposal to pass from a Factory Act, introduced to protect women and children and to remove certain definite evils, to the much larger policy of wages regulation is a momentous one, and requires careful consideration. It does not follow that, because a man took medicine

with advantage last week, drugs should be his staple food for the rest of his life. To continue the metaphor; as the object of the physician in administering drugs is to restore, not to revolutionize, his patient's constitution, so the object of Factory Acts has not hitherto been to destroy or supersede the market, but to regulate certain conditions that, as a rule, do not enter into the bargain at all. The present proposal, on the other hand, has the appearance of an attempt to supersede the market altogether as being an injurious and inequitable tribunal. This distinction between regulation of condition and regulation of wages may be untenable; but, in any case, the policy now proposed requires consideration, if not because it involves a new principle, then because it is a very large step forward in accordance with a precedent hitherto occasionally rather than universally applied.

In no civilized country, so far as we are aware, have statesmen accepted in its entirety the view that exchange involves injustice and robbery, and that wages and occupation must be determined by other than what we may call 'market' considerations. Exchange, we may take it, is the organizing principle characteristic of a society which has for long been passing from a condition of *status* to one of contract. There have been, and are, during this passage, dislocations of industry, the result of inevitable change; and those dislocations may engender explosive force to the danger of society at large. All government rests ultimately on force; and responsible rulers have always felt themselves justified in forcibly interfering with property and

with the organization of exchange to avoid, as they argued, worse things. It is for the statesman to determine when and how interference in such crises is necessary to satisfy our humanity and our instinctive desire to remove, by swift, summary action, regardless of remoter consequences, evils which at the time and place seem intolerable.

Hitherto this has been the explanation of Factory Acts and similar legislation. Until now no argument has been put forward that factory legislation can be glorified and expanded into a complete system of industrial policy. Until recently, though theoretical considerations have often been overshadowed by the practical exigencies of the moment, the principle of exchange and the open market has, in the main, been allowed to organize our industry, and has, in the main, been accepted as an inevitable and beneficent guide in conducting society from the condition of *status* to that of free contract. We are now asked to abandon entirely a view that previously appeared axiomatic, and to welcome a plan of action in which what hitherto has been the exception bids fair to become the rule. This disposition to rely, not on the equitable principle of exchange, but on Factory Acts, collective or coercive bargains, compulsory arbitration, and the enforcement of a legal minimum wage, can only be justified if it can be established that the influence of the open market is detrimental to labour, and, what perhaps is equally important, that it is possible to abandon it.

This really brings us to the heart of the question. What defence can be made for the system of

exchange and the open market? If our defence is successful, we shall probably be ready to admit that, whether practicable or not, the enforcement of a legal minimum rate of wages is not necessary. These remarks are made to explain why, in the first sentence of this article, we propounded a double question. Is it practicable, and is it necessary? To the first term of the question no very illuminating answer seems possible. In a sense, of course, it is obviously practicable. It is being tried in our own Colonies; and an Act of Parliament can oblige us to try it here. This, however, takes us a very little way. It is not disputed that employments which do not give what appears to be adequate remuneration to those employed can be suppressed; but there are other things which we do not know, and which we must know before we form a judgment as to the result of such a policy. What becomes of the people who are forbidden to exercise their ill-requited toil? What is the effect on the industries of the country at large? How far does the disappearance of these low earnings still further diminish demand and employment of labour? How far is the purchasing power of the poorer consumers affected by the rise of prices which presumably follows the adoption of this policy? What is the view of those who, being deprived of their power of earning scanty wages, will earn none at all, and will be thrown on the poor-rate? Are they satisfied, or do they feel that they are being sacrificed to the susceptibilities of officious sentimentalists?

All these and many other questions must be answered before we can admit that the proposed



policy is a practicable measure for removing an evil which all admit and all deplore. Detailed evidence on such a subject is not available. In the main, the argument must be decided by theoretical considerations, or it is only by a reference to theory that we are able to picture the inevitable results of such a policy. An arbitrary prohibition of certain exchanges (of labour for wages) must have a widespread effect, not only on production, but on the purchasing power of the community. If, for instance, some particular process in the tailoring trade is ruled out because the workers are receiving inadequate wages, it is almost impossible to follow the fortunes of those who are dispossessed further than the obvious fact that they are deprived of their maintenance, such as it is. Nor, again, can we produce the person who will purchase a garment the less for himself or his family because of the rise of price; but it is perfectly certain that increased cost of production will diminish demand. Nor can we with any certainty identify the worker whose trade has been made 'slack' by reason of the diminished purchasing power even of those who earn only pitiful wages. We know, however, perfectly well that we cannot withdraw from circulation the articles produced by and the wages earned by those we call 'sweated' workers without diminishing the general trade of the country. Cumulatively, the purchase power of even low wages counts for much; and, *ex hypothesi*, the value of the work done is in excess of the value of the wages paid. We cannot, otherwise than by deference to theory, indicate that the policy advocated diminishes, in these two

respects, sources for the stimulation of industry. It may be arguable to insist that in some cases no wages are better than low wages; but, if we take this line, we must not overlook the fact that industry is to that extent crippled by the disappearance of the work done and the wages earned, and that a double source of demand for the products of industry has been destroyed.

Passing from this more general consideration, let us examine the nature of the proposal in more detail. The full demand is for a general or national minimum rate of wages; but at present it is proposed to begin with trades which are known by that question-begging title of 'sweated' industries.

Generally, we may take it, the necessity of fixing a minimum wages rate will appear most urgent in decaying trades, or in trades which as a whole may be flourishing, but where certain subsidiary processes are being superseded by new and improved machinery, and very generally also in trades and sections of trades where hand labour has to compete with the machine. Now, if the wages in industries or branches of industry so handicapped are raised, the fact will accentuate the disadvantage at which the less efficient process is carried on. In all probability this will give an additional stimulus to the introduction of the new and competing process, and must ultimately result in increasing the unemployment of the less efficient workers in that particular branch of trade. The dispossessed workers will then be driven to seek employment in the open trades (if any). The open trades will be those which are not covered by an effective Trade

Union protection or by a minimum wages board. The influx of the less efficient labour into such trades will presumably give rise to employment at lower wages. The policy proposed will then require us, to use Mr. Charles Booth's phrase, to 'harry' these poor people out of this refuge by extending the scope of the minimum wages legislation to the trade into which they have fled. Suppose that, eventually, this 'harrying' policy is made really effective and all the holes are stopped; we have then a crowd of the less efficient workers, all excluded from any chance of working, and waiting with expectancy to see what the legislature which has brought them to this pass will do next.

Can we induce the employer to give employment to these persons? There is only one way, as far as we can see, of giving the employer this inducement; and that is by promising him protection—protection, of course, from foreign competition, but also from home or domestic competition. In other words, if we commit ourselves to an attempt to enforce this minimum wages rate, we are irresistibly drawn into legislation to deprive the community of the advantage held out by the superior climate and industrial conditions of foreign countries, and into a series of enactments to prevent the adoption of new machinery and improved processes in our home industries. Our object must be to keep industry in a stationary condition, and to rule out competition as the most fruitful source of change. Is Protection of this stringent character a possible policy? Even enthusiastic Tariff Reformers are ready to admit raw material and food; and, so far as we know, no

one has demanded a prohibitive tax on new machinery and improvements of industry. But, if protection of an inefficient application of labour is our policy, the activity of the Legislature in penalizing every disturbing influence in industry must be stimulated to the utmost extent.

There is, moreover, the difficulty of providing employment for the natural increment of the labouring population that comes each year into the market. On the stationary basis of industry, which is a necessary part in the policy of a State regulation of wages, the problem seems insuperable. The retirement of the old and the enlistment of the young are things which have hitherto been regulated by market considerations. If, however, a minimum or living wage rate is imposed, the considerations which tend to disperse labour at the call of the market are deprived of their force, and the conditions which make for congestion in thickly-populated neighbourhoods and in unskilled trades are bound to exercise more than their legitimate influence. In fine, though there may be much to be said in favour of Socialism and its frank advocacy of the State organization of labour, we do not suppose that any serious economist would argue that, under a system of private enterprise, a policy of progressive Protection would prove a cure for unemployment; for this really is the proposition which this project involves.

Another alternative remains for consideration, namely, that the dispossessed inefficient workers, finding it impossible to obtain work at the required rate of wages, shall throw themselves on the poor-

rate. This, it is submitted, can hardly be called a solution. When and if this result comes to pass, the State will inevitably be asked to organize employments for the dispossessed and less efficient class. It will then be found impossible to do any really marketable work with a staff made up of the fringes of inefficiency from our whole industrial system. Competent labour and machinery will have to be hired to give backbone, so to speak, to this shiftless, enfeebled mass of population—a population, be it noted, which it was possible to employ, on terms, when distributed through the various trades, but which becomes quite unmanageable when massed together and deprived of the assistance of the normally efficient workers in each given trade.

We are thus brought to face all the well-known difficulties of a Government organization of industry. This, we are well aware, is the horn of the dilemma on which thoroughgoing Socialists eagerly desire to impale themselves; and logically they are quite right. The question, however, remains for those who do not think the Socialist ideal a practicable one. Are they prepared to face this difficulty? We trow not; and here we may leave this part of the subject, for we are not here debating the general question of Socialism. Our argument is addressed *ad hominem*, to the normal voter who thinks that Socialism is impracticable, but who nevertheless yields to innumerable Socialistic proposals presented to him in detail, and who, as Herbert Spencer was fond of pointing out, is ever taking steps in a Socialistic direction, without any

suspicion that such movement must inevitably be bringing him nearer to Socialism.

The argument here set out is designed to show, not that a prohibition of inadequately remunerated trades is a bad thing, but that it is part of a very much larger question. Legislation of this kind, to be effective, must be international, and must also involve a protective tariff aimed against articles in which a low rate of wages is given to the employed; and, if this restrictive policy fails, as undoubtedly it would fail, to bring about full employment at good wages for all, we must ultimately be driven to establishing national workshops and letting in the full tide of Socialism. Those of us who are opposed to Protection and to State organization of labour must therefore hesitate, on general grounds of principle, before giving our approval to this proposal of fixing by legislation a minimum wages rate.

Let us leave for the moment these remoter difficulties, and consider the more immediate results likely to arise from an experiment of this nature. The object of a minimum wage limit is presumably that each man and woman shall earn a sufficient living. Now, though it may be admitted that an adequate rate of wages is a necessary means to that end, it is not, by itself, sufficient to secure that object. It is not enough to determine that a man shall receive so much per hour; we must also ensure that the work shall be given and accepted regularly for a sufficiency of hours, days, and weeks. The same is true of the rate at which payment for piece-work is determined. A sufficiency of employment

at the dictated rate must be forthcoming; and the rate must be favourable to the slow worker as well as to the quick worker, though their interest is not always identical.

Again, the whole question of what is called a living wage—the level, presumably, at which the projected legislation is to fix remuneration—is full of ambiguity. Statisticians are all agreed that the wages of labour have risen during the last fifty years. Now at what point, during that rise, would it have been politic to fix a minimum rate of wages? Irresistible causes, tending to the rise of wages, have been at work. Would this rise have been aided or retarded if it had been interfered with by the mechanical determination of a minimum rate? Again, at the present day, the wages of an agricultural labourer are, say, 15s. a week; those of an engineer are, perhaps, 30s. It is difficult to see how wages boards are to discharge their duties to the satisfaction of the parties concerned if the determination of wages by legislative procedure is to become, not an incidental and occasional experiment, but, as is inevitable, a universal and national policy. At present there is an impersonal element in the market; but an unfavourable verdict as to what ought to be our own rate of wages will have an added bitterness if it is enforced on us by the decision of a board which professes to deal with the merits of the case.

These difficulties have been experienced in our Australasian Colonies; and the manner in which they are met cannot be said to be altogether satisfactory to the upholders of the measure. Permits

to work at wages below the minimum have, from the outset, been granted to aged and infirm workers, and are now granted to anyone who is slow. In the case of Chinese labour the Acts are more or less openly evaded. The following extract from the 'New Zealand Times' of September 9, 1907, seems to show that both sides are eager to evade the Act :

'The Arbitration Court was occupied this morning hearing breaches of awards. George Rendell was fined £5, with inspector's costs, for breaches of the Painters' award, in not paying the men for an extra quarter-hour on a country job. Scott Bros., contractors for the new dock, were fined £5 and inspector's costs for failing to pay overtime to two carpenters. D. Jones and S. Forbes, the two carpenters in question, were each fined £1 and costs for neglecting to complain. Bentley and Abbott, painters, were mulcted in a fine of £2 for failing to pay for time occupied in travelling to work; the employees in question were each fined 20s. for failing to claim. R. Ginnett, John Lunn, Charles Ellis, carpenters, for employing non-unionists, were ordered to pay costs. Wm. Duncan was fined £5, with costs, for employing a man at less than the minimum wage; and James Flynn was fined 10s., with costs, for accepting less than the minimum.'

We question if, in the old country, legislation which required to be supported by prosecutions of this character could long survive the ridicule to which it would be exposed. Even the immediate results are so doubtful that some leading members of the Socialist party will have nothing to do with the proposal. In the 'Economic Journal' for March 1908, Mrs. Ramsay MacDonald, expressing views which elsewhere her husband, the Socialist member for Leicester, had publicly proclaimed,



regards the whole proposal as worse than futile. The Australasian experiment she represents, fairly enough, to be part of a bargain between the employers and the employed, whereby the employers secure a protective tariff, and the employed a minimum rate of wages. Mrs. MacDonald's own words (p. 145) are not without their interest :

' Every week ' (she writes), ' in letters and newspapers from the other side of the world, I have increasing proof that the workers are beginning to see that they have not got the best of the bargain. Finally ' (she continues), ' the remedy to be aimed at for some of the worst suffering in sweated home industries is not higher wages at all, but less need for work. Old people, infirm people, and children ought not to be in the industrial market at all, whatever their wages. The same applies to mothers of young families whose husbands are dead or sick or out of work. The problems they raise must be attacked, not through wages boards, but through such measures as old-age pensions, maintenance of necessitous children, and provision of work for the unemployed. Wages boards will, I fear, take away the crust from some of these victims, and force others into secrecy and deceit, and thus, instead of proving a fairy godmother to those most needing help, will be a wicked stepmother.'

Mrs. MacDonald, as a thoroughgoing Socialist, puts before us very plainly the nature of the responsibility which, in her view, the public authority should undertake. It comprises the public maintenance of the old and the infirm, of children, of mothers of young children, and the provision of work for the unemployed. These are some of the burdens which the Socialist reformer desires to take away from the individual and to

fasten on the State; and it appears to us that Mrs. MacDonald is unanswerable when she declares roundly that the difficulty of the State in the face of its proposed duties will not be lightened by this minimum wages legislation. To strengthen Mrs. MacDonald's argument, it might be pointed out that the risks which she enumerates—the destitution of aged and infirm people, children, nursing mothers, sick husbands, want of work—are risks which at present do not arise, in most cases, because the situation is controlled by a sense of personal responsibility which results in lifelong acts of prudence, economy, and self-restraint. If and when these risks are proclaimed to be the responsibility of the community, this restraint will be removed, and the rate at which destitution will be manufactured will be enormously increased. No man's wages will then be supposed to suffice for the normal risks of life. They will not even last out to the week's end, much less to furnishing provision for wife, children, and old age. In the cataclysmic disturbance caused by such a change, the effect of a minimum wages limit is surely a negligible quantity.

The importance of the question of the minimum wages rate seems to have been exaggerated, except in so far as it is part of a much larger question. Under present conditions we do not think it could be strictly enforced, unless it were followed by a number of Socialist measures, notably, of course, some system of national workshops for the dispossessed inefficient workers; and then, we agree with Mrs. MacDonald, in such a general cessation of personal obligation, the legislative regulation of

wages would be a matter of infinitesimal importance.

There remains one loophole of escape, one which public opinion at the present time seems very unwilling even to consider, and that is to raise the siege altogether—if the phrase may pass—and let labour alone to find its own best market. This brings us to the second part of the question as propounded in the first sentence of this article. Is this change necessary? Is the present system altogether unsatisfactory? and, even if it is not altogether satisfactory, is it a system which we can change?

The great Labour Commission which sat some years ago established two things, namely, that the wages of labour had risen during recent years; and secondly, that, speaking generally, the price of commodities had fallen.<sup>1</sup> The reason is obvious and simple. Commodities are inert brute matter unable to resist the laws of economic gravitation which obtain in a progressive community. Labour, on the other hand, is, or at least has become and is becoming, a mobile, convertible force with an inherent ability to rise into its best market of remuneration. In other words, it obeys its own law of economic levitation, if we may be permitted to coin a phrase. This ability is, of course, limited by considerations of time and space; but still it is an operative ability and furnishes an explanation of the fact that, while the output of industry is greater, and therefore cheaper, the hours of labour are shorter and its reward greater.

The history of the subject is written in unmistak-

1. This was written in 1909.—Ed.

able characters not to be misinterpreted. In no other way can we explain the set of the population away from the ancient industries of the land towards the industries of the town. The rise of wages and the improvement of the condition of the labourer are a very slow process; and it is natural that those who suffer and those who sympathize should at times be impatient. It is, however, of the utmost importance that we should analyze correctly the industrial mechanism, and that we should not, merely because all is not satisfactory, destroy or hamper the only force which from within has been the cause of better distributions of labour. It might be a wiser policy to quicken and strengthen its operation.

The remedy, as far as things permit of a remedy, lies, not in increasing the barriers which now prevent labour from being influenced by every turn of the market, but in endeavouring to remove them; in other words, we should aid and not thwart the law of economic levitation. It is not good policy to exclude workers from a trade either by Trade Unionism or by minimum wages legislation. People only go to work in a trade because they can find no better. The fairly good wages which prevail in many trades where Trade Unions exist are not due to Trade Unionism. On the contrary, Trade Unions are due to the fairly high wages which market conditions have already established in those trades. When a new trade or a new process is established and proves profitable, the only way in which an employer is able to get competent workmen is by offering some inducement to workers to leave their present occupation and to enter a new one. This

almost invariably means a rise of wages—a rise for those who enter the new trade and a rise also for the reduced numbers that remain in the old occupations. In the classical instance of agriculture, agricultural wages are better in districts where there is a constant drift of labour to manufacturing occupations. Now no new trade which is at all flourishing thinks itself complete without its Union—an institution for many purposes very useful, and one which in any case is well within the rights of the labourer; but, without doubt, one effect of the Union is that a barrier is set up to the influx of labour from lower levels of remuneration. This is quite natural on the part of those in possession; but is it just and wise in the general interest of labour?

We are aware that in many trades more or less dominated by Trade Unions no action is taken by Trade Unions to restrict the number of workers, except in so far as the Union has been able to enforce a minimum rate of wages, a policy which would tend to exclude the less efficient and to prevent employers from taking on learners. So long as this policy is not maintained by illegal methods, and so long as it is content to work without the assistance of legislation, we have nothing to say against it, except that we question its wisdom in the interest of the working class as a whole. Our contention is that a higher general level of wages will be reached by allowing the labour-flow to run as the market calls. The man who accepts the hint given by the prevalence of low wages, and leaves, or prevents his children being bound to, agricultural labour, and who obtains

better remunerated work elsewhere for himself and family, not only relieves the agricultural labour market and makes a rise there possible, but he and his imitators all through the industrial system are, by means of their higher wages, exerting a more effective demand for each other's labour. It is not an answer to our argument to say that, as, for instance, in the cotton industry, there is no monopoly claimed for the workers. Our point is that we question the policy of any insistence on a minimum rate of wages which must inevitably have the effect of preventing the attraction of labour from lower levels—labour which *ex hypothesi*, is unskilled and only employable, in the first instance at all events, at wages lower than the normal.

This policy of keeping a monopoly for a certain set of workers by Trade Union regulations as to apprenticeship, or by maintaining a rate of wages prohibitive to the employment of willing workers from lower levels of the industrial community, is an injury to the cause of labour in two respects. It stands arbitrarily in the way of the promotion of the lower-paid tradesmen, and it prevents the growth and increase of the funds on which industry and employment largely depend. Our foreign trade is a bagatelle relatively to our home trade; and our home trade, representing as it does about seven-eighths of the industrial effort of the community, is largely devoted to catering for the industrial classes. The expansion of our home trade, it is not too much to say, depends almost entirely on the increased purchasing power of the labouring class.

It is in this direction that we shall find the only

possible solution of the often-stated problem. Given a body of unemployed workmen, unshod, unclothed, badly housed—required the formula which will enable them to exchange the produce of their labour. We are disposed to argue that at present one of the hindrances to making effective the natural demand of this class is to be found in the too numerous barriers which are interposed here and there, and on various pretexts, to absolute freedom of contract in the matter of the exchange of services for wages. The question of the provision of capital in these days of highly developed facilities for credit presents very little difficulty. An assured and effective demand for the commodity to be manufactured is sufficient guarantee for the production of the needed capital. Credit, in such circumstances, is a perfect substitute for capital in the sense in which the word is ordinarily understood. The two conditions needed for the fresh inception and indefinite expansion of industry are (1) reasonable security for honest commercial enterprise, and (2) a gradual increase in the purchasing power of the mass of the population. It is with this second condition that we are here mainly concerned; and our argument is that this increase will be greatly facilitated if we adopt, in respect of labour, the policy which allows the principle of (what we have called) levitation to exercise its influence.

A natural presumption in favour of liberty, based, as we submit, on sound philosophical reasoning and confirmed by experience, supplies a generalization sufficiently cogent to govern, for some minds, the whole situation; but, if justification is demanded

a body of Unionists who see their occupation invaded, as they think detrimentally to their interest, by workers from a lower stratum, the answer is that their compensation will come from the quickened demand for labour which must be the result of the increased wages of any section of the labouring class. A momentary lowering of wages in the invaded trade may take place, but it will find relief by the constant drift of the population towards the better remunerated trades, and by the stoppage of fresh enlistment in response to the tendency of wages to fall. This, we submit, is what has happened, and is happening, notwithstanding the impediments that nature and artifice have put in the way of this better distribution of labour. This is the only explanation which fits the facts.

The prediction of Marx, that, inasmuch as the labourer was at a disadvantage in the open market, a society based on freedom of exchange was hastening to dissolution and ruin, has been falsified by events. The truer doctrine is that in every exchange both parties profit; and that labour, as a mobile and convertible force, is enabled to be constantly attaining a better market—a market which it itself supports by the increased purchase power which higher wages puts at its disposal. A true analysis of the situation brings out in a most prominent light the inherent mutuality of the principle of free exchange. The Socialist ideal, on the other hand, is based entirely on force; and the advantage which, as we contend, it vainly imagines, does not differ from the successful removal of the friction that impedes the operation of an absolute freedom of exchange.



It is often objected that it is extremely difficult for a grown man to change his trade. No doubt the subdivisions of labour are real divisions; and the initial friction which prevents one market from merging entirely in another is considerable. This friction, however, though it cannot be ignored, ought not to be exaggerated. It is sufficient to prevent tumultuous invasion, but it is not sufficient to prevent all change of employment, nor to hinder deliberation in the choice of a trade made by parents on behalf of their children. It is with the young labour, for the most part, that more favourable adjustments are made. In any case, the difficulty, such as it is, ought not to be artificially preserved and fostered. Theoretically—and with the removal of occasions for friction practice tends to conform to theory—freedom of exchange with regard to labour, *mutatis mutandis*, acts somewhat in the same way as a free mint acts towards bullion. It will pass labour into currency in the form in which it is most wanted and for which there is the best remuneration; and this continuous rise into the better remunerated industries automatically provides an increased purchasing power for the products of the more domestic trades, which also, as a rule, are those employing the largest amount of labour.

One other consideration should be added to any argument in defence of the open market. An advocate of free exchange will not be content to found the prosperity of labour entirely on wages. Man is a capital- or tool-owning as well as a labouring animal; and, though we may reject the pessimistic views of Marx, which he borrowed, with

exaggerations, from Ricardo and others, it is undoubtedly true that the power to earn wages is not necessarily permanent, and that the full stature of a civilized man is not reached till he is able to purchase leisure and some relaxation of toil by the accumulation of savings. Socialist speakers and writers are fond of reproaching those who adhere to the advocacy of free exchange, on the ground that their views are belated and out of date; but in this particular point the Socialist controversialist has revived one of the most dismal but happily exploded fallacies of the older so-called orthodox economists, namely, that wages are regulated by the cost of the labourer's maintenance. Happily it is not the case that wages adhere to the level which gives a bare livelihood to the worker; but on this assumption Socialist controversialists have based their theory of the so-called parasitic trades—that is, trades in which it is alleged that workers who have incomes or maintenance derived from sources other than their wages underbid those who live entirely on their wages.

It is part of the general policy of legislating unsatisfactory employments out of existence, to regulate industries carried on in the home and to prohibit such as are 'parasitic,' in the sense that they do not afford those who follow them a living or a minimum rate of wages. The real truth is that, in nine cases out of ten, the possession of an independent income or of a maintenance in the house of parents or friends helps to keep the worker out of the poorest markets for labour. The cause of low wages is a redundant supply of labour in a given

market, the inability of the population to distribute itself to more advantage. The remedy is not prohibition, which causes a twofold and irreparable impoverishment, first of income for the worker, and second of purchasing power for the rest of the community. The remedy is a better distribution of labour; and the only clear indication that we get as to the line on which better distribution should proceed, is given us by the rise and fall of wages in the open market. Anything that tends to keep people working at an unprofitable trade is bad policy. Outdoor relief to the able-bodied under the old Poor Law did undoubtedly increase the congestion of the market and retarded the growth of the new industry by keeping a pauperized population stagnating in the rural districts. The same cannot be said of savings or the assistance of friends if and when these sources of income induce a worker to continue in a badly paid trade. These are legitimate sources of income; and, if they render a working population less mobile, it is difficult to see on what grounds the authority is justified in interfering.

But really the case does not arise. On the average we may be perfectly certain that the possession of an income or a home is not a cause of low wages, but that, on the contrary, these things constitute as it were a private strike fund enabling the owners of them, to that extent, to pick and choose their occupations. This picking and choosing means the distribution of labour in the direction of the better market. The low wages and other disagreeable conditions of some forms of needlework, of hand nail-making and chain-making, are sufficiently

repulsive (in the etymological sense of the term) to cause a gradual diminution of the numbers employed; and they are sufficiently punitive in their character to render complete prohibition of such employments unnecessary. The gradual extinction of these trades, as can be gathered from a study of the occupation returns of the census, is being brought about by natural economic causes; and there is probably no need to prohibit such employment. On the contrary, the sudden and arbitrary prohibition of certain forms of wage-earning is much more cruel than the gradual discontinuance of uneconomic trades by the drafting of the rising generation, and the adventurous of the present generation, into more promising industries.

Apart from the fact that it is foolish to decline to accept and circulate the purchase power arising out of even inadequate wages, it is important to insist that wages do not depend on the cost of the labourers' maintenance, but ultimately on the relation between demand and the supply of labour. These considerations should dispel, once and for all, the dismal chimera of the so-called parasitic trade; indeed a closer examination of the position shows that, far from being a disadvantage, it is extremely desirable that workers should acquire a habit of looking to savings as well as to wages. Many of the risks of life have to be met by man's appreciation of the fact that wages can only be earned during the able-bodied years. Sickness and old age and the care of widows and orphans are risks which cannot be met by current wages, but by savings from former wages.

The alternative is that these things shall not be matters for private responsibility at all, but shall be provided for by the State. As we have already said, however, we are not arguing with the convinced Socialist who is eager to embrace this solution, but only with the ordinary politician who still likes to think that he is not a Socialist. This sort of person is not yet prepared to plunge into the gulf; and it is our business to show him that he is on the brink of the abyss. It remains then that the risks which we have mentioned above must be met, as hitherto, by individual effort or individual responsibility; and it is perhaps one of the economic harmonies of liberty that these risks, and the need of meeting them, have probably supplied the first primitive motive for the accumulation of capital. It is a kind of discipline from which the working class will in the future derive most beneficent guidance.

Our general conclusion then must be, first, that this proposal for fixing a legal minimum rate of wages would be very difficult to enforce; that to enforce it, without finding some alternative employment for those who are dispossessed, would be vexatious and even cruel; and that attempts to supply this alternative would involve us in a very drastic system of Protection, and in something akin to the disastrous policy of national workshops. It is in fact a comparatively unimportant step in a very much larger policy, which most of us still believe to be impracticable. Secondly, and on this point we more emphatically insist, the proposal is unnecessary. Natural economic causes are eliminat-

ing gradually the less favourable occupations. This natural method is more humane and considerate to the class for whom we are concerned; and, further, the only guide which we possess for the better redistribution of labour is dependent on the indications of the open market. From these labour has already received many benefits; if they are not thwarted and suppressed, the future may be safely left to their control.

## CHAPTER VI.

### DEMOCRATIC FINANCE.

THE GENERAL ELECTION OF 1895.—SIR HENRY MAINE ON POPULAR GOVERNMENT. -- THE SHATTERING OF THE LIBERAL PARTY.—‘THE LONDON COUNTY COUNCIL.’—FREE EDUCATION AND THE TACTICS OF THE CONSERVATIVE PARTY. — THE DEBT WHICH PAST SOCIETY OWES TO POPULAR GOVERNMENT. — DEMOCRACY AND FREE EXCHANGE.—ECONOMISTS AND SOCIALISM.—PARLIAMENTARY DECADENCE AND NATIONAL CHARACTER. — THE ‘ARGUMENTUM AD CRUMENAM.’—THE DUTIES OF CITIZENSHIP.—A CONTRAST IN POOR LAW ADMINISTRATION. — THE CORPORATION OF BRISTOL AND ITS DOCKS. — PRESTON AND THE NAVIGATION OF THE RIBBLE.—THE ECONOMICAL FAILURE OF SMALL ADMINISTRATIVE AREAS. — THE UN-AVOIDABLE INCOMPETENCE OF PUBLIC ADMINISTRATION.—‘IGNORANT IMPATIENCE OF TAXATION.’—DISADVANTAGES OF STATE MONOPOLY. — REDUCTION OF NAVAL AND MILITARY ARMAMENTS.—TAXATION AS A WEAPON IN CLASS WARFARE. — FRENCH AND ENGLISH SYSTEMS OF POOR RELIEF. — THE SERVANTS OF THE STATE, AND TRADE UNIONS.—INCOMPATIBILITY OF SOCIALISM WITH THE OLD LIBERAL DOCTRINE. — A WARNING TO THE CONSTITUTIONAL PARTY.

THE General Election of 1895 marks a further step in the disillusionment of the nation with regard to popular government. Essentially, the result has been due to the revolt of the ratepayer. Finance, it has justly been remarked, is the ultimate test of

administration. The verdict given by the constituencies as to democratic finance is that its methods are becoming burdensome. The revolt has been long expected, but we believe it has come at last.

The misgivings so forcibly expressed by Sir Henry Maine in his work on Popular Government, are, by the pressure of taxation, being brought home to the mind of the ordinary voter. Ten years ago, in the portion of his work devoted to 'the prospects of popular government,' that distinguished author wrote :—

'It is perfectly possible, I think, as Mr. Herbert Spencer has shown in a recent admirable volume, to revive even in our day the fiscal tyranny, which once left even European populations in doubt whether it was worth while preserving life by thrift and toil. You have only to tempt a portion of the population into temporary idleness by promising them a share in a fictitious hoard lying (as Mill puts it) in an imaginary strong-box which is supposed to contain all human wealth. You have only to take the heart out of those who would willingly labour and save, by taxing them *ad misericordiam* for the most laudable philanthropic objects. For it makes not the smallest difference to the motives of the thrifty and industrious part of mankind whether their fiscal oppressor be an Eastern despot, or a feudal baron, or a democratic legislature, and whether they are taxed for the benefit of a Corporation called Society, or for the advantage of an individual called King or Lord.'

We do not affirm that this state of things has arrived, but undoubtedly the fear of it has become a practical force in politics.

Before dealing with the specific subject of this article, the uneasiness caused by the threat of revolutionary finance, let us briefly enumerate some



of the other influences which are alienating the more intelligent classes from the methods of government now followed in this country, and filling them with a profound sentiment of distrust. The financial strain, the *argumentum ad crumenam*, contributes only the last, though possibly the most convincing, count in the general indictment.

First it is, we think, impossible now to deny the larger adherence that is being given to the social philosophy of Mr. Herbert Spencer. Mr. Spencer's teaching cannot perhaps be described as an active force in practical politics. He stands in a position of complete detachment from the active business of legislation. It has been so, of necessity, with the authors of philosophical systems in all ages. There are, however, signs that the system of thought elaborated by Mr. Spencer, with the magnificent patience of a lifetime, is slowly but surely permeating the intellectual life of his countrymen.

Again, the practical man, not actively engaged in political strife, but connected by inclination or hereditary ties with one or other party in the State, has of late years been hustled about by his political leaders in a way that has been extremely disconcerting to his self-respect. In his resentment, he has had the effrontery to think for himself. The shattering of the Liberal Party is matter of history. The sordid details are now known. The simple, obvious tactics by which a strong-willed and unscrupulous, but by no means able man, like Mr. Parnell, entrapped the brilliant rhetorician who for long years had led the Liberal Party, have been made apparent to all. This generation has

witnessed the extraordinary moral enthusiasm developed by Mr. Gladstone for a policy long eloquently denounced, and at last forced upon him under circumstances of the most humiliating nature. The spectacle was a revelation not only as regards the Irish *fiasco*, but as to the whole system of government by delegates. With a strange unconsciousness of the effect they were producing on impartial minds, the followers of Mr. Gladstone have poured out torrents of justificatory rhetoric to excuse their cynical abdication of the responsibility of private judgment.

We write in no partisan spirit. We live under democratic rule, whether the Executive calls itself Conservative or Liberal. As Sir H. Maine justly remarks, 'If I am in any degree right, popular government, especially as it approaches the democratic form, will tax to the utmost all the political sagacity and statesmanship of the world to keep it from misfortune.' We cannot pretend that the Conservative Party has always preserved this high level of wisdom; it has itself done much to make the more independent of its followers pause for reflection.

Up to the date of the Local Government Act of 1888, one important institution still lay outside the influence of the democratic and elective principle. We mean the ancient jurisdiction of the justices of the peace. Mr. Dickinson quotes the verdict of Coke, who styles the authority of the justices 'such a form of subordinate government for the tranquillity and quiet of the realm as no part of the Christian world hath the like, if the same be duly

exercised.' Nor, as he truly remarks, has this estimate been seriously disputed.

' The following extracts from the debate on the Local Government Act of 1888 will illustrate this point.' We again quote Mr. Dickinson. ' Mr. Ritchie, referring to the fact that there was no "pressing demand" in the country for the measure, attributed this circumstance "very largely to the belief on the part of the public that the duties of the existing county authorities are well performed, and that there does not exist any amount of dissatisfaction in the public mind with the way they are performed." (Hansard, cccxxviii. p. 1642.) Sir Walter B. Barttelot quoted a remark of Mr. Cobden's: "The one thing that strikes me of all others is the way in which the county magistrates do their duty. The care and attention which they pay to their work, especially to matters of finance, entitles them to all credit." (*Ibid.* cccxxiv. p. 1138.)'

Mr. Fowler and Mr. Gardner, from the Radical side of the House, also bore testimony to the efficiency and economy with which the justices discharged their administrative duties. This unsullied reputation, however, did not save them from destruction. The country and its delegates in Parliament were still infatuated believers in the alleged necessity for every other method of selection.

The country constituencies have seen the new councils at close quarters. In no case has an improvement been manifested, in many a distinct deterioration has taken place. In London an indirectly elected body, the Metropolitan Board of Works, has given place to a popularly elected County Council. The Board of Works cannot be, for a moment, compared to the Country Magistracy.

A few of its members and its officers were detected in corrupt practices, but the main portion of its work was carried out in a businesslike and impartial fashion. The County Council has merits in the eyes of some, but no one can assert that it is either businesslike or impartial. Even so good a Progressive as Lord Farrer has been forced to proclaim his dissent from the policy of the Works Department of the Council; and it is not too much to say that its principles of finance are animated rather by the spirit of a Corsican *vendetta* than by any desire to distribute its burdens equitably on the legally recognized property belonging to the population entrusted to its care.

Another Pyrrhic victory of the Conservative Party has been the introduction of Free Education. For this also, we make bold to say, there was no pressing demand. The English working class saw no injustice in being asked to contribute directly towards the education of their children. Its introduction was due to the apprehension of those who feared that, unless the party took the matter in hand, the voluntary schools might be placed in jeopardy, and to the desire of others to show their constituents that the return of a Conservative Party would not prohibit the continuance of the system of paternal *largesse* at the expense of the public exchequer. Tactics such as these cannot fail to suggest reflections to those who watch the game from outside.

Turning to more purely administrative departments, the country can never forget or forgive the abdication of a responsible Government which

allowed itself to be overborne by the ravings of a harebrained journalist, and sent the heroic Gordon to work a miracle in the desert, and, when the obvious truth asserted itself that the day of miracles was past, then abandoned him to his fate. Or, to take an instance in which the blame must be shared by both political parties, no one, we affirm, can read Mr. John Martineau's account of English policy in South Africa and of the ungenerous treatment meted out by his political chiefs to that great and magnanimous public servant, Sir Bartle Frere, without a feeling of burning and lasting indignation.<sup>1</sup>

These are incidents in the course of events which have shattered the idols of our faith in the infallibility of popular government. Men remain sitting among the broken gods, waiting for a leader to reconstruct their creed.

Deep-rooted traditions die hard, and there are of course forces which still hold together the remnants of the democratic faith. Its authority has been weakened, but the check has not yet degenerated into a rout; mainly, we believe, because no great leader, strong in the force of conviction and wielding the weapon of a true philosophical principle, has attempted to marshal the army of attack. In this respect a great career of usefulness lies open to the present Government, if its men of light and leading will take courage, and control and where necessary resist, instead of following the current of popular opinion.

1. 'The Life and Correspondence of Sir Bartle Frere.' By John Martineau, 1895.

Apart, however, from the natural unwillingness of men to abandon an ancient prejudice, the rank and file of the older and better Liberalism, which is now incorporated in the Constitutional Party, will remind us of the debt which society in the past owes to popular government. This we are eager to acknowledge. The principle of democracy has freed us from many objectionable forms of arbitrary power and inequitable privilege. It is precisely because we recognize this, that we offer a strenuous opposition to the adoption of the old policy of privilege by the democracy itself. Democracy is not in itself an end, it is a form of government, liable to the imperfections and limitations inseparable from all forms of government; and, when it shows itself incapable of adhering to the principles of equity, right-minded men will oppose it as strenuously as in bygone times the democracy has itself opposed the inroads of arbitrary power.

The Conservative leaders seem now to have definitely adopted the principles of Free Trade, or, as we should prefer to term it, Freedom of Exchange. They have done so with some hesitation, but we believe their decision is now irrevocable. They recognize that the great claim of democracy on the affection of the commercial and trading classes of this country is based on its gift to the nation of the principle of freedom of industrial enterprise. Mr. Balfour, in an essay on Cobden, has pointed out that the victory of the Free Trade party was due quite as much to the democratic hatred of aristocratic privilege, as to any wide-spread appreciation of the justice and value of the principle of free exchange.

It was in fact a class struggle between the manufacturing and the land-owning interest. This view, if we are to accept Sir Louis Mallet's account of the philosophical views of his friend Mr. Cobden, is incorrect as regards the leader of the party, but it is certainly true with regard to the democracy which Mr. Cobden gained over to his side. The principle of democracy is not necessarily favourable to freedom. Sir H. Maine, with that clearness of insight for which he was so remarkable, has warned us

'against assuming that the existing friendly alliance between advanced politicians and advancing science will always continue. When invention has been successfully applied to the arts of life, the disturbance of habits and displacement of industries, which the application occasions, has always been at first profoundly unpopular. Men have submitted to street lighting and railway travelling, which they once clamoured against; but Englishmen never submitted to the Poor Law—the first great effort of economical legislation—and it has got to be seen whether they will submit to Free Trade. The prejudices of the multitude against scientific inventions are dismissed by the historian with a sarcasm'—(a reference to some remarks of Macaulay)—'but when the multitude is all-powerful, this prejudice may afford material for history.'

The doubt here expressed as to the permanence of the alliance between Democracy and the scientific truth which underlies the principle of Free Exchange, has grown to a certainty. Already the doctrine has been repudiated by the better educated section of the Socialist-Radical Party. If an adherence to freedom of international trade is still proclaimed by members of this party, it is due to

the fact that they are too ignorant to understand the principles which they profess. Socialism is Protection, the largest and most far-reaching system of Protection that the world has ever seen. If, as seems probable, Socialistic ideas are permeating the democratic mind, the rupture between Democracy and Free Trade is merely a question of time. When this inevitable event arrives, if it has not already arrived, the feeling of gratitude which the country considers due to Democracy in respect of Free Trade will no longer prove a bar to the rationalizing methods of political criticism. The alliance between the two was accidental. The establishment of true principles in science, economical as well as physical, is due to the initiative of the few and not of the many.

On one other prop of the democratic myth, it is worth our while to bestow a few minutes' consideration. It was remarked by a recent Fabian essayist that, with few exceptions, all the professors of political economy and all the minor lecturers on the subject were in sympathy with democratic Socialism. This, we confess, does not much disturb us. Ingenuous youth, when it leaves the stoa of the academy, and enters on the serious business of life, unlearns and learns again very quickly. After all, the economists are very half-hearted in their advances to Socialism. Their sympathy has induced them to qualify, to make exceptions, and to explain away many stubborn and unwelcome truths, but the result is not world-compelling. After all, to be a force in life, a man must be definite and intelligible. The deference which many academic economists



show to the democratic fetish is not born of conviction, but is merely the conciliatory attitude of timid and cloistered students who dream of saving society by riding upon and controlling the storm. But the force of the storm is expending itself, and all the professors in Christendom will not put new life into the exploded mystery.

Meanwhile the rump of the old Liberal Party remains a body of leaders without followers. They are beginning to see how far the Socialist proclivities, introduced into the party councils by John Stuart Mill, have led them from the old Liberal creed. Their Socialist army is an army of mutineers, a very Babel of discordant politics which can never be drilled into an effective fighting force; and, to do the leaders justice, few of them are at heart renegades to their older faith. Their sympathies are really with their opponents. Too opportunist to break away boldly from their entanglement, they have only succeeded in getting their battalions hopelessly clubbed. They can never be enthusiastic fuglemen to the regiments of half-crazy collectivists whom it is their misfortune to command. There is nothing here to rehabilitate our faith in Popular Government. Reflections such as these are heard on all sides, and, notably within the last few weeks, they have received very full confirmation in the important work of our greatest living philosophical historian. Mr. Lecky's reputation will rise superior to the accusation of partizanship, and the strength of his indictment will gain in impressiveness from its extreme moderation. He repeats and enforces with charac-

teristic fulness and wealth of illustration the conclusions which Sir H. Maine has made familiar in his great work on Popular Government. We can bestow no higher praise on Mr. Lecky's volumes than to say that they form an admirable supplement and illustration to the work of his distinguished predecessor.<sup>1</sup> Sir H. Maine's work has suffered in this slipshod age from the extreme concentration of thought which seems to us to be the chief characteristic and merit of his workmanship. Mr. Lecky is as much historian as philosopher, and in his hands the theme has been enriched, even to the verge of diffuseness, by a copious recital of facts and arguments. His two handsome volumes are a welcome and timely addition to the literature of higher political controversy, and supply a well-documented appendix to the severe simplicity of Maine's argumentative methods.

That this article may not appear unduly pessimistic, we venture to summarize, and express our respectful agreement with, the general verdict of Mr. Lecky.

'If it be true,' he says (vol. i. p. 204), 'as there seems great reason to believe, that parliamentary government in England has entered on its period of decadence, it becomes a question of the highest importance to ascertain whether this implies a general decadence in the national character. I do not myself believe it.'

As reason for the faith that is in him, he appeals to the decrease of crime, the improved condition of the poor, and the passion for social reform which among

1. 'Democracy and Liberty,' by William Edward Hartpole Lecky. London, 1896.

all classes has displaced theological enthusiasm, the recovery of India after the Mutiny, and the maintenance of the *Pax Britannica* by the just rule of our pro-consular civil service. He pays a well-earned compliment to Mr. Fowler's insistence on a revision of the Indian cotton duties, and to the patriotism of the Opposition which supported him. 'But the original faults were very grave, and they illustrate the dangers to which democratic parliamentary government with a weak executive exposes the great interests of the Empire.' To all this we may agree, even to the last reflection, in which he reminds us that the magnanimity of the English character fails, or threatens to fail, only when it falls under the influence of political and democratic sentiment. We cannot accept so unreservedly a reference to the alleged triumphs of municipal and local patriotism. Later on in his second volume, p. 328, he makes some very just remarks, which go far to qualify this favourable verdict, on the danger of an extension of municipal public works. This policy has already gone a great length, and, in the course of the following pages, we shall have occasion to allude to the subject again. We cannot find in the record of municipal, county, and parochial government any reason to exempt it from the general indictment which Mr. Lecky has brought against the democratic element in parliamentary institutions. Cordially, with Mr. Lecky, we recognize the greatness of an age which has produced a Darwin,—'a man who has effected a greater revolution in the opinions of mankind than any one, at least since Newton, and whose name is

likely to live with honour as long as the human race moves upon the planet'; a Gordon, whose self-sacrificing religious heroism is as perfect in its kind as anything in the legends of chivalry. We cannot, however, forget, as for the moment Mr. Lecky seems to do, that Darwin happily lived apart, and paid no more attention, than did Galileo, to the prejudice and ignorance of the vulgar, and that Gordon's relation to contemporary political life culminates in an instance of administrative incapacity and vacillation, if we may not use an even stronger term, unexampled in ancient or modern times. Mr. Lecky's indictment is not directed against Englishmen or Englishwomen, nor even against individual political personages, but against a system of government which subjects truth and justice and statesmanship to the rule of ignorance and clamour and numbers. In face of this demoralizing influence, even the best elements in English life are not always able to preserve intact their honour and their independence.

On the financial aspects of democratic rule, Mr. Lecky has much that is interesting to say throughout these volumes. He is well aware that finance must soon become a burning question of practical politics. The country has for long suffered its politicians, with good-humoured tolerance not unmingled with contempt. It is only within the last few years that the term politician has acquired a certain sinister meaning. There are signs that this period of toleration is coming to an end, and mainly, we believe, through the influence of the *argumentum ad crumenam*,—a gross form of

argument perhaps, but one which succeeds in arresting attention where the warnings of great thinkers, like Maine and Spencer, have failed to produce any widespread effect.

'A recent English writer,' says that very competent American authority Mr. David A. Wells, in the first instalment of a series of papers on the Principles of Taxation published in 'The Popular Science Monthly,' 'has claimed that the experience, in reference to taxation, of the forty-five anomalous sovereignties which now make up the United States (none subordinate to a national Government except to a limited extent and in respect to particular questions), has thrown a great light upon the temper of democracies. "Half a century ago every thinker predicted that the one grand evil of democracy would be meanness; that it would display an 'ignorant impatience of taxation,' and that it would refuse supplies, necessary to the dignity or at least to the visible greatness of the State." That prediction has, however, proved itself, not only by the experience of the United States, but also of the leading countries in Europe, to be the exact contrary of the facts. "The lower the suffrage, the higher the budget mounts. Democracy loves spending, is devoted to dignity, and provided they are indirect, or fall heaviest on the rich, will pay any amount of taxes. The English democracy, with household suffrage, though it has reduced its debt, has increased its budget, increased rates all over the country, and would not be frightened to-morrow if a great Socialistic experiment were to cost it a hundred millions. It hardly shudders when it is asked to support in comfort, at a cost of about £17,000,000 (\$85,000,000), its whole aged poor. The French democracy has nearly doubled its taxation and raised its debt more than a third, apart from the tribute paid to Germany. The German democracy, with enlarged suffrage, a poor soil, and nearly universal poverty, is always granting

new demands, whether for soldiers, ships, colonies, or centralised officials."

' But it is in the United States, with universal suffrage and the richest of estates, that the extravagance of government expenditure, sustained by taxation, rises to a point which fiscal experts, like Alexander Hamilton, Robert J. Walker, and Albert Gallatin in the United States, and Sir Robert Peel or Ricardo in England, could not have been persuaded to believe possible. Either of them would have declared an American pension list amounting to \$155,000,000 (£31,000,000) a year too absurd for credence, and would have criticised the prophet who made the prediction for his poverty of invention.

' That the interests benefited by national extravagance will, under free suffrage, always constitute a formidable obstacle to judicious tax reform, especially if such reform contemplates national economizing, cannot well be doubted; and also that this opposition will be reinforced to some extent by a popular feeling that something of colour and dignity will go out of national life by any marked curtailment of the expenditures of the State.'

The rapidity with which disorganization is creeping into the finances of France, by reason of the present mood of the democracy, may be gathered from the several prefaces and notes added to the original text of M. Leroy-Beaulieu's great work, '*Traité de la Science des Finances.*'<sup>1</sup> Writing in 1876, M. Leroy-Beaulieu declared that a reform of taxation in France was easy, provided two conditions were given,—Time and Peace. In a note to the third edition, June 1883, the author remarks :—

' We have not changed the above words which appeared in earlier editions, but we are bound to say that the

1. 5th edition, Paris, 1892.

scandals and thoughtless waste to which, in France, the State, the municipalities, and the departments have given themselves over, render our hopes for the future much less encouraging.'

The fourth edition, 1888, confirms this verdict. Since 1883, it is asserted, the waste, indifference, and effrontery of the administrations have redoubled. If the conduct of finance, both governmental and local, is not completely changed in France, the country will be placed in economic and political conditions of great inferiority relatively to other civilized peoples. A note in the last and fifth edition, 1892, declares that a new disease has since 1888 attacked the finances and the prosperity of the nations of European race, the disease of State Socialism. It is to be feared that State and Municipal Socialism, far more dangerous if not actually more burdensome than all our armaments, will deprive the next generation of that lightening of financial burden which the author in the text has shown to be guaranteed by a variety of causes which he there enumerates.

One other curious instance of the despair of the scientific mind in face of the dishonest prodigality of popular bodies is worth mention. In the text of his work, the author has declared himself '*un partisan déterminé de l'extension des impôts directs.*' In the preface to the third edition, sincerity obliges him, he says, to avow some change of view. In democracies, he continues, where all the powers are elective and change rapidly from hand to hand, where the struggle of parties is strong, and where the party which has the majority in the elections

governs absolutely, without any countercheck, direct taxation may or rather is bound to become a terrible instrument of oppression,—oppression of those individuals who are personally disliked by the local authorities, oppression of classes who are rich or in easy circumstances. In the Mediterranean departments, he affirms, the powers of the local rating authorities have been corruptly used as an electoral influence. The houses of political supporters are assessed at half-value, and those of opponents at double value. Direct taxation, therefore, is unsuitable for democracies. This extorted recognition of the incompatibility of scientific finance and democratic government is as remarkable as it is true. Mr. Wells, in the already quoted article, refers to a more recent pronouncement of M. Leroy-Beaulieu, in the ‘*Economiste Français*,’ with regard to the financial management of France under its present democratic form of government :

‘ There is at present, according to this well-recognised authority, an actual annual deficit of between three and four hundred million francs. The floating debt, “official or concealed, has taken enormous proportions, and is met by a variety of expedients, and mostly by secret loans (which are always costly), because the Government does not dare to contract a large public loan, the only regular and least expensive means of extrication from financial embarrassments. Expenses are piling up, and no one takes any thought of repressing them. In short, according to M. Beaulieu, there is under the present Government, notwithstanding “constant and vain buzzing on the subject of democratic reforms, the adhesion of a mollusc to the wretchedest routine and a downright hatred of every kind of improvement.” ’



According to Mr. Wells, the present aggregate of annual taxation in France is the greatest to which any country in modern times has been subjected; and including all taxes—national and local—is estimated in excess of £280,000,000, or about one-fourth of the annual income of the people. 'The current rate of taxation on capital,' says the same authority, 'in all civilized countries, even now approximates, and to a certain extent actually exceeds, the current rates of interest or profit on its use.' This, he further remarks, constitutes a problem which is certain under a free government to be solved by human nature rather than by statute. Mr. Dickinson expresses the same thought in somewhat different language. Democratic Socialism, he argues, pushed to its extreme limit, means a condition of affairs in which the income and property of the individual is put unreservedly at the disposal of the public authority. There are some things, however, he continues, that even a majority cannot do. No majority could prohibit a minority from the exercise of its religion. Such an attempt would be ended by veiled or open civil war. Mr. Wells's more euphemistic phrase is 'by human nature'; and the argument applies to excessive taxation as well as to religious intolerance.

Let us now look at home to the nature of our own public finance. Our imperial expenditure has risen from 81 millions in 1881 to 94 millions in 1895, and the Budget estimates for 1896 an expenditure of over 100 millions.<sup>1</sup> This addition is caused for the most

1. For 1913-14 the Budget estimate is £195,640,000.—Ed.

part by an increase of our naval and military expenditure from 25 to 38 millions. The charges on our National Debt have decreased from 28 to 25 millions, and the debt itself from 770 to 660 millions. This is the one bright spot in the recent history of our public finance.

On the other hand, the local expenditure of the United Kingdom has risen from 36 millions in 1867-8 to 82 millions in 1892-3.

The total outstanding loans incurred by local government authorities in England and Wales have risen from 164 millions in 1883-84 to 215 millions in 1892-93. In Scotland they have risen from 24 millions in 1887-8 to 28 millions in 1892-93. The returns of Local Taxation in Ireland for the year 1894 give no comparative statement, but put the local indebtedness of that country in 1894 at 9 millions. In round numbers, the total local indebtedness of the United Kingdom and Ireland is 252 millions.

The increase of the outstanding loans of the Local Authorities (England) rose 30·6 per cent. between 1833-4 and 1892-93. The rate of increase in the Metropolis was 23·7 per cent. In the remainder of the country, taken together, it was 32·4 per cent. The local authorities whose indebtedness increased to the greatest extent during the interval were Poor Law Authorities, the Commissioners of Sewers of the City of London, Municipal Corporations, Urban Sanitary Authorities, Harbour, Pier, and Dock Authorities, and School Boards.

The following interesting table, taken from 'Local Government and Local Taxation in England

and Wales' (second edition, 1894, edited by Messrs. Hobhouse and Fanshawe), gives the general result of a series of more elaborate tables in the form of a comparison between the years 1867-68 and 1891-92, as follows (in millions):—

	1867-68.	1891-92.	Increase per cent.
Rateable value*... ..	100½	155½/10	55½
Receipts of all kinds (including new loans) ... ..	30½	64	109½
Receipts of all kinds (excluding new loans) ... ..	25	53½	115½
Expenditure of all kinds (including loan expenditure)..	30½	64½†	110½
Loans outstanding at end of year ... ..	60‡	208	247½

\* The increase in rateable value is partly due to revaluations, and is consequently to some extent only apparent.

† Of this expenditure 11½ millions were for repayment of, and interest on, loans.

‡ The amount of loans outstanding in 1868 is unascertainable. Mr. Fowler, in his report (p. viii.), specifies certain loans then outstanding to the amount of £43,813,000, but states that the list is incomplete, and he estimates (p. li.), the total amount at about £60,000,000.

The extraordinary enthusiasm which prevails in certain quarters in view of the rapid multiplication of the 'duties of citizenship' deserves a closer analysis than it usually receives. It means that the well-tried policy of private enterprise and freedom of exchange is everywhere being abandoned in face of the slightest difficulty, and that a policy of State monopoly and compulsory exchange (taxation) is being substituted for that voluntary organization of society which Englishmen formerly held dear, as

the distinguishing feature of our national economy. The Socialist party knows its own mind, and at every turn is forcing forward the policy of State monopoly. The ordinary politician seems powerless to meet these tactics except by the useless stratagem of throwing ransom to the wolves. Has the nation really grown sceptical as to the beneficent and organizing power of Liberty? We do not believe it. It is waiting for a leader to rehabilitate the ancient faith.

The figures above quoted are eloquent and call for little remark; but, to complete our picture, it may be well to describe one or two instances of the way in which citizens' duties are discharged, and one or two of the methods in which these funds are expended.

The Metropolitan Poor Law Union of St. Olave's enjoys the privilege of possessing a democratic Board of Guardians. The task of administering the Poor Law is admittedly a difficult one, but it is one on which a vast amount of experience has been accumulated and put on record. But, like the emperor who was *super grammaticam*, the St. Olave's Board was a law unto itself. They resolved to dispense with those salutary tests of destitution which experience has shown to be necessary, and which in the case of the able-bodied are actually prescribed by law and by the orders of the Local Government Board. During the winter 1894-95, this Board opened a labour yard for the relief of the able-bodied, but, neglecting the advice that applicants are to receive not wages but relief proportioned to their necessities, the Guardians

determined to pay their relief on the scale of Trade Union wages.

The labour yard remained opened from January 7 to March 28 : during that period 61,617 days of employment were given at a cost of £10,782, exclusive of cost of management. The total expenditure was about £18,000. The stone broken cost the Guardians £7 per ton as compared with 4s., which is said to be the cost of the same work in the open market. The relief was not effectual for the purpose intended. Admittedly the yard was monopolized by the criminal and semi-criminal classes, and the conditions of the relief were such that no respectable workman could accept them. A large proportion of the men did no work at all, so lax was the supervision that many absented themselves from the yard till the hour of payment arrived, some of the payment was given in kind, and the tickets and groceries so distributed were in many cases exchanged for drink. This method of procedure offered no solution of the difficulty. By the end of March, when the Guardians decided to close the yard, they had succeeded in collecting, in normal weather, between 800 and 1,000 men whose daily resort was the labour yard. Obviously this congestion of unemployed labour left the difficulty in an aggravated condition, when this large number of men were suddenly deprived of their employment.

The mal-administration of the St. Olave's Board has been so flagrant that the Local Government Board has disallowed a portion of the subvention, which had otherwise been due to it from the

Common Poor Fund. Unfortunately, the loss falls on the ratepayers of St. Olave's, and not on the Guardians.

The above incident is only one item in a long course of mismanagement which, considering the widespread suffering and demoralization caused thereby to the poorest and most helpless class of the community, may fairly be described as criminal. The possibility of reducing pauperism by a careful administration is generally admitted. From 1870-71 to 1880-81 there was a general fall in pauperism throughout the Metropolis, in which movement St. Olave's participated. The pauperism of Whitechapel and St. Olave's fell from 61·6 and 44·7 per 1,000 of population in 1870-71 to 25·1 and 27·5 in 1880-81. In 1884 a new policy was introduced into St. Olave's, and in 1892-93 the rate per 1,000 had risen again to 40·3, while in Whitechapel the decline continued reducing the rate per 1,000 to 21·5.

The key to this unfortunate result is afforded by the following figures :—

Expenditure on Out-door Relief.

	1871.		1881.		1891.		1895.
	£		£		£		£
Whitechapel ...	6,118	...	1,152	...	850	...	620
St. Olave's ...	11,546	...	6,349	...	11,214	...	23,643

The policy of the Whitechapel Union, as is well known, is influenced by a permanent official who has thoroughly mastered the scientific aspects of Poor Law administration. Yielding to his advice, the Board has pursued a continuous policy of reducing out-door relief for the last twenty-five years. About 1884 the St. Olave's Board seems to

have fallen into the hands of some ignorant or malevolent persons who, by adopting a contrary policy, have multiplied pauperism and raised the burdens of the ratepayers to an alarming extent. Unfortunately its procedure is typical of many other unions, and of the democratic science by which they are governed.

The waste of public money is not confined to the incapable and ignorant management of those public services which in the nature of things must be carried on by a public authority. A far larger source of profusion and loss is caused by the great extension of municipal trading. Of the difficulty created, when, even in a comparatively small matter, collective ownership of industrial property is adopted as a principle, the following instance will furnish an apt illustration.

In the nature of things, let it be premised, trade has a tendency to shift from one locality to another, slowly and gradually as a rule. In a district where the conditions are no longer suitable to modern industry the fresh applications of capital, necessary in all healthy business, are not made. As history has amply shown, the seat of great industries has frequently changed. Some local suffering or inconvenience is caused, but, owing to the gradual operation of the causes, no great and severe crisis is experienced. Such incidents are part of the inevitable and beneficent course of industrial progress. Consider what a hopeless impediment would have been placed in the way of the commercial greatness since attained by Great Britain, if the Imperial Legislature had insisted on spending

the resources of the country in maintaining the supremacy of the Cinque Ports!

The revenue and resources of a great corporation, in the nineteenth century, are fully equal to those of the Imperial authority of mediæval times, and not infrequently we find municipalities burdening their citizens for the sake of a contest which, for anything we know to the contrary, may be as hopeless as an enterprise to maintain Sandwich as a first-class seaport.

The Corporation of Bristol, apparently since 1848, has carried on the business of a dock company. The winding channel of the Avon is obviously inconvenient for ocean-going steamships. In the opinion of the public authority, therefore, it became desirable to make new docks and warehouses at Portishead and Avonmouth at the mouth of the river. At the first of these places large sums of money have been sunk. The docks are admirable, but no shipping comes to them; and we are credibly informed that the grass is growing on the roadways and in the sheds. At Avonmouth there is a somewhat exotic trade in grain and frozen meat, for which costly refrigerating accommodation has been provided, but there is comparatively little export trade, and the shipping has to move away to some other port to secure an outward cargo. These conditions will probably prove fatal to the chances of developing a great port. The money, however has been raised, not on the security of the success of the docks but on the security of the Bristol rates. If the venture is unsuccessful and it shows every prospect of so continuing), the ratepayers of Bristol



are responsible for the capital lost. At present they are paying some £30,000 per annum for the losses incurred in the speculation.

The Statement of Accounts for the Bristol Docks for the year ended April 30, 1895, shows that the capital expenditure has been £2,170,000. This sum has been raised by two millions of Debenture Stock, £39,631 premiums on Debenture Stock, Loans £7,800, and £33,885 contribution from the Parish of St. Augustine. The net revenue account shows a deficit requiring a levy on the ratepayers of £27,000 to enable the authorities to pay the interest due on the different stock. In 1894 the amount raised by rate was £32,360.

In compliance with the Bristol Dock Acts, a sinking fund is being accumulated. This now amounts to £100,935: all of this sum (with the exception of £19,000, £10,000 of which is invested in the Bristol Water Works Company's stock) is lent to various Bristol public authorities. How far a public corporation which habitually borrows its own sinking fund is really providing for an extinction of its debt is a matter we leave to the judgment of our readers.

This, however, is not all. The Bristol Corporation is engaged in other industries, and recently it yielded to the popular craze of being its own contractor in a number of minor departments. It is not surprising, therefore, that the rate is heavy. Many persons, it is said, are, on this account, careful to live outside the area of the borough rate. The authorities, finding that their present territory yields a revenue insufficient for their ambitious policy,

have recently been promoting a Bill to extend their boundary. This 'marauding Bill,' as it has been described, was defeated, but many thousands of public money have been spent in the attempt. What finality there may be in this repulse, we are not aware, but the risk of fiscal oppression to the whole surrounding country, due to this combination of modern resources with the predatory instincts of an Afghan tribe, must add a new terror to life.

In passing these criticisms, we have no desire to deny the practical difficulty in which the Bristol Corporation finds itself. The original and fatal error is the permission granted to such bodies to embark in speculative trading. One mistake leads to another: the momentum of the original error is increasing, and the end it is impossible to foresee.<sup>1</sup>

It would be easy to multiply instances of the profusion and recklessness with which the public money is jeopardized or wasted, and of the questionable and oppressive acts by which the majorities of local bodies endeavour to provide funds for carrying out their ambitious plans. It must suffice to mention the refusal of the late London County Council to proceed with certain improvements until it could make a special assessment on a form of

1. On the 3rd March, 1896, a motion was adopted in the Bristol Town Council authorizing the expenditure of 93,000*l.* on further works on the channel of the Avon. A section of the Council was in favour of a more ambitious policy of 'dockising' the river, a plan estimated to cost 2,900,000*l.* A further objection to this last proposal is that the Bristol sewage is discharged into the Avon; and if the tide is excluded by means of dock-gates, some new system of sewage would be required.

property against which they entertained a prejudice; the rating appeals of the same body and its costly litigation with various London parishes in respect of their valuation. In all these struggles it has been the object of the majority of the Council to fix a heavy assessment on the classes and constituencies represented by the minority. The case of Preston is noticeable for the large sums expended in purchasing the assets of an unsuccessful company engaged in certain projects for improving the navigation of the Ribble, and for the subsequent expenditure on the same hopeless speculation. Manchester also has involved itself to the extent of five millions in that doubtful experiment the Manchester Ship Canal, and the list may be indefinitely enlarged.

The idea that economical and successful administration is promoted by the infinite subdivision of the units of popular government is not new. Its fallacy has often been exposed, yet politicians cling to it with extraordinary tenacity. Thus it was supposed, at the time of the Poor Law Amendment Act of 1834, by MacCulloch and other eminent economists, that small areas for the administration of relief would promote economical management and a decrease of pauperism. According to the late Sir E. Chadwick, a member of the Royal Commission of Enquiry and the first Secretary to the Poor Law Commissioners, the facts did not bear out this, but rather the contrary opinion. It appeared that in the hundred largest parishes of England the proportion of paupers to the whole population was 1 in 16, or  $6\frac{1}{4}$  per cent.; in the

hundred intermediate parishes it was 1 in 10, or 10 per cent.; while in the hundred smallest parishes it amounted to 1 in 6, or 16½ per cent. The Poor Law Commissioners, in their celebrated report, explain very clearly why local influences are not favourable to economy and impartiality. The judicious administration of the law had been rendered impossible, they argued, by reason of the 'temptations' arising, among other things, from 'the personal situation, connexions, interests, and want of appropriate knowledge on the part of the rate distributors,' who are, moreover, 'obnoxious to the influence of intimidation, of local partialities, and of local fears, and to corrupt profusion for the sake of popularity or of pecuniary gain.' And again they declare:—

'What our evidence does show is that where the administration of relief is brought nearer to the door of the pauper, little advantage arises from increased knowledge on the part of the distributors and great evil from their increased liability to every sort of pernicious influence. It brings tradesmen within the influence of their customers, small farmers within that of their relations and connexions, and not unfrequently of those who have been their fellow-workmen, and exposes the wealthier classes to solicitations from their own dependants for extra allowances, which might be meritoriously and usefully given as private charity, but are abuses when forced from the public.'

'It will be found,' the same authority declares, 'that the private interests of the distributors of the rates are commonly at variance with their public duties, and that the few pounds, often the few shillings, which any parish officer could save to *himself* by the rigid performance of his duty, cannot turn the scale against the severe labour,

the certain ill-will, and now, in a large proportion of cases, the danger to person and property, all of which act on the side of profusion.' (Report of Poor Law Commissioners, 1834. Reprint, 1894, pp. 217 and 236.)

We have made this somewhat lengthy quotation because at the present day it seems necessary to insist that public bodies, whether they be great or small, are extremely liable to succumb to the influences productive of incompetence and dishonesty. At the present day there is a reaction in favour of small administrative areas. In 1834, the terrible abuses of parish government gave a great impulse to the contrary theory. So much was this the case, that Sir E. Chadwick, an extremely shrewd and able man, conceived the idea of a highly centralized and even national administration of the Poor Law,—a plan which, in its way, would probably be quite as liable to abuse as the old parish system then about to be abolished.

In this country personal corruption is happily rare, but a public body, from the very nature of its composition, conducts its business under economical conditions which render a high degree of competency impossible. To this point we must return presently. Here we merely remark that, notwithstanding the admitted integrity of English political life, the ever-increasing growth of a bureaucracy constitutes a public danger. In a pamphlet entitled 'Un Chapitre des Mœurs électorales en France,' M. Leroy-Beaulieu has related his own experience of the opposition offered by the local officialdom in the *arrondissement* of Lodève to the election of a candidate whose financial criticism was dreaded by

the Government in power. Falsification of voting papers; intrigue in the Chamber to delay a second election, rendered necessary by the invalidation of the first, in order that the election might take place on the new register; the revision of the new register by the local mayors, deliberately and, as M. Leroy-Beaulieu contends, fraudulently, in the interest of the official candidate; the granting of leave of absence to about 300 soldiers, whose relations professed their intention to vote for the candidate favoured by the Administration, are among the incidents enumerated. Two committees of the Chamber, two parliamentary reports, the first after a careful examination of documents, the second after an enquiry on the spot, have decided that the first election was fraudulent and corrupt. Yet M. Leroy-Beaulieu complains nothing has been done to punish those who have been guilty of this crime against universal suffrage. We have happily nothing quite so glaring as this in England, but we doubt if a determined and searching critic of public finance would be regarded with much favour by the party electioneering associations on either side of the House. Whether the undoubted alarm of the ratepayer will encourage those who are disposed to favour a closer examination of estimates, remains to be seen. The necessity of giving more attention to finance will be enforced, we are convinced, by profusion certain to arise from recent extensions of local government.

It will be objected, perhaps, that the irritation of the ratepayer is mere 'ignorant impatience of taxation,' and that the growth of taxation is not out

of proportion to his means. We confess we are at a loss to know on what principle we are to fix the due proportion of a man's income which he ought to pay to the tax-collector with cheerful alacrity. Our observation is that, whether the feeling is reasonable or the reverse, every penny so expended is given unwillingly and for very obvious reasons.

Adam Smith long ago pointed out that in every voluntary exchange both parties profited. So the average man, when he buys a book or a coat, comes home with a feeling of satisfaction in his purchase. If the book is dull or if the coat does not fit, he forms a resolution to deal no more with the authors. On the other hand, payments made for Government services by way of taxation are not exchanges, but forcible levies or exactions. The dissatisfaction inseparable from this method of expenditure is enhanced, when a man has to pay for a system of sewerage which he believes to be unscientific and dangerous; for the education of other people's children, many of whom are as well able to pay for it as he is; for the education of his own children in a curriculum which excludes his own religious beliefs, and overworks them in subjects in the choice of which he has not been consulted; for an administration of the Poor Law oppressive to the ratepayer, and inadequate and harmful to the poor themselves; for costly and probably unsuccessful speculation in docks and canals; and for a thousand other objects of a similar character. A benevolent Englishman, who happens to belong to the Jewish faith, was, by some inadvertence, asked to subscribe to a Society for the Conversion of the Jews. The insult to his

religion he set on one side, but his economical soul for days went sorrowful in the thought of the wastefulness which consumed thousands of treasure (so he said) in the conversion of one Jew. *Mutatis mutandis*, it is the same with the ratepayer: he may be able to afford these exactions (though, when he says he is not, it is difficult to produce a more competent authority), but, as a man of business, he knows that his money is in many instances wastefully spent, and he resents it accordingly.

Seriously also he has philosophical justification for his attitude. As we have said above, the economical conditions under which a public authority spends its income and conducts its business are incompatible with a high level of success. Every service or commodity which a man purchases in the open market is being continuously improved and cheapened by the ever-active force of competition. Unprofitable expenditures of capital are being constantly written off. The purchaser is not called on to make good to the unsuccessful tradesman the capital and interest of his investment. There is therefore a continuous improvement in the industrial organization which ministers to human wants,—in other words, in the material conditions of civilization. This element of progress is rigorously excluded from the services rendered by the public authority. The constant process of liquidation which in private enterprise secures the survival of the best methods of industry cannot operate on a State monopoly. This consideration, it appears to us, contains an answer to those who argue that taxation must be expected to grow with



the increase of wealth and population. In the first place, as we have seen by the table quoted on p. 204, the growth of taxation is out of proportion to that of rateable value, and, we may now add, of population. In the second place, the analogy of what is happening in the sphere of private enterprise might lead us to expect greater economy and cheapness instead of a continuous advance in the cost of government. While in the portion of the world's business which is left in the control of private enterprise there is a constant winnowing process going on by which inferior methods and unnecessary middlemen are eliminated, we are conscious that in the realm of State monopoly influences of an exactly opposite nature are for ever at work.

Trade prosperity depends on a continuously increasing demand for the production of our staple trades. This demand, in turn, depends on the purchasing ability of the general public. Ability to purchase, or (if we analyse the operation) ability to exchange, depends entirely on the productivity of our industrial methods. Wasteful methods such as are characteristic of State monopoly mean a deduction from the national dividend, and this is equally true whether the waste take the shape of incompetent trading or unnecessary additions to the fixed charges of government.

It is perfectly true that many of the services rendered by the public authority must be so rendered or not at all. About these the ratepayer will continue to grumble in a mild and helpless manner, but as a practical man he will wish to see the

province of the public authority rigidly confined to these limits, and he will offer the most strenuous opposition to the encroachment of the State into matters in which private enterprise is capable of providing the necessary service. The truth is that the democratic machine has broken loose like the gun on Victor Hugo's ship, has got out of control, and is destroying, by the impetus of its own weight, the delicate machinery of our social life.

The ratepayer is in revolt, and looks to the party now in power to release him from the ravages of this animated engine of oppression. As Sir H. Maine has said, extrication from our difficulties requires the highest statesmanship. First let the Government recognise its mandate, and form a rallying-point for the forces of social order and liberty. With regard to our imperial expenditure, it is difficult to be sanguine. The key of the situation turns on some fulfilment of the hope expressed by Lord Salisbury at the Mansion House, that diplomacy would find some expedient for freeing the nations of Europe from the excessive burden of naval and military armaments. It is impossible to suppose that Lord Salisbury introduced a remark of this momentous character into a deliberate address, on an occasion so important, unless he cherished some element of hope. In spite of many obvious indications in an opposite direction, we make bold to say that no line of policy would be more enthusiastically received by the nation at large or prove better calculated to cement into a lasting alliance all the best elements of the old Conservative and the old Liberal parties. It is a policy which

only a Minister enjoying the complete confidence of his countrymen can approach with any prospect of success. This element of encouragement Lord Salisbury undoubtedly possesses.

With regard to the growth of local indebtedness and taxation, we require without doubt some limitation on the spending and debt-incurring powers of our local authorities. Above all, we require the nation to become alive to the mischief that is being done. We require a more definite attitude on its part. For long, public opinion has favoured the encroachment of public authorities and has discouraged private enterprise. A feeling of misgiving and discontent has at last arisen with regard to the growth and wasteful expenditure of taxation. This is not enough: the public authorities must be rigorously confined to their special duties, and security given to private enterprise that the era of confiscation and needless municipal competition is at an end. Unless the public can be persuaded that the functions of government are being exceeded, that it is meddling in many things which it ought to let alone, it is quite hopeless to expect any lightening of the public burden.

The collection of imperial and local revenue is now a matter of great and growing importance, and well merits the industry and erudition bestowed on it by these distinguished authors. We have dwelt designedly, rather on a preliminary aspect of the question. Mr. Seligman remarks that one fact stands out prominently:

‘Amid the clashing of divergent interests, and the endeavour of each social class to roll off the burden o

taxation on some other class, we discern the slow and laborious growth of standards of justice in taxation and the attempt of the community as a whole to realize this justice.' <sup>1</sup>

The idea of justice as applied to taxation is, we fear, domesticated in the seclusion of the professor's study. We do not find it in Sir W. Harcourt's death duties or in other measures we might name. It will perhaps emerge some day in the full panoply of scientific classification, and play a useful part, but not until we have settled that taxation is not to be a species of class war, but that it is for revenue to be used in the conduct of the public services and not in the impossible task of removing and mitigating inequalities of fortune,—inequalities which, we believe, can be removed, but not by this method.

Again, it is conceivable that some mitigation of public burdens may be derived from better arrangements for the acceptance, and preservation of the utility, of benefactions given by public-spirited citizens. The influence of the dead hand and the corrupt interest of many in the abuse of charitable funds have proved an insuperable obstacle to progress in this respect. In the first half of the eighteenth century a great number of workhouses and other institutions in connexion with the Poor Law were built, and in a large proportion of cases with the assistance of voluntary subscriptions. With the passing of the Poor Law Amendment Act, 1834, this flow of public revenue from voluntary sources came to an end. M. Emile Chevallier, a

1. 'Essays in Taxation.' By Edwin R. A. Seligman. New York and London, 1895.

recent French critic of our English Poor Law, has pointed out how the French system, by interposing the voluntary relief agencies of the community between the applicant and the State, and by merely giving a State subvention to charitable effort, has in his judgment, moderated the demands of applicants, and as a matter of fact limited the public burden. Existing arrangements will not lend themselves readily to such an innovation, but there is every reason to support the plan adopted in certain well-known Unions, whereby a division of labour between the legal and voluntary agencies of relief is duly recognized, the legal authority providing the indoor or institutional relief and the voluntary agency supplying such relief at the home (outdoor relief) as may be thought desirable. The provision of things that are not absolutely necessary should not be obtained by recourse to the rates; there is plenty of public spirit in England if it was not alienated by the never-ending encroachments of State and municipal monopoly.

Even those of us who favour most enthusiastically certain forms of public expenditure, say for instance on an object admittedly praiseworthy, such as education, must recognize that there is a point at which the ratepayer's purse is suddenly closed. Now if we wish to secure a cheerful continuity and progress in our expenditure on education, we shall do better in the long run on the voluntary system. To support the schools properly, to supplement the inability of poor parents to provide education for their children with adequate generosity, would, under a wiser administration, become a point of honour

in every district. At present the School Board system is viewed with much bitterness : the expenditure is in many cases wasteful ; it must inevitably lead to a reaction and to sudden reversals of policy, extremely mischievous to the sound development of our educational system. One reason of the unpopularity of the School Board system, is that the ratepayer views with much jealousy and dissatisfaction the growth of a new *imperium in imperio*. The teaching class have formed themselves into a Trade Union, which undoubtedly exercises great influence at election time. Their avowed object is the increase of their own authority and emoluments. Now there can be no reasonable objection to combination among men earning their own living in the open market if they think this course of action advantageous, and if they refrain from violence, but in the case of the servants of the State totally different considerations arise. They are placed under a certain disability, for they are not dealing direct with their employers but with persons who are in the position of trustees. To offer political support to such trustees in consideration of their acting lavishly in respect of the trust fund is a very questionable proceeding. The ratepayer is not, as at present advised, very fond of the politician ; and when he sees the servants of the State organizing themselves with a view of pressing their own pecuniary claims on School Board and parliamentary candidates, and the candidates promising, with effusive expressions of respect, that their demands shall have attention, he is apt to regard such transactions as a barefaced system of corruption. In dockyard constituencies

this form of political bribery at the expense of the ratepayer has of recent years become a byword. Demands put forward in this way may be perfectly reasonable and just, but it is one of the objections to the whole system of Government employment, that it breeds suspicion and ill-will and lends itself readily to some of the meanest and most contemptible forms of political corruption.

We cannot probably revert to a completely voluntary system of education. We only suggest as a basis of the division of labour which ought to be recognized, that elementary education, strictly defined, should receive assistance from the public exchequer, but that, for the rest, reliance should be placed on the voluntary system. It is, however, no part of the purpose of this article to suggest detailed methods of reform. We are only concerned here to press for a cessation of that spirit of hostility which everywhere paralyzes voluntary effort.

Mere readjustment of the incidence of taxation and the most careful manipulation of our finances by the methods advocated by scientific authorities will not help us much. If we desire a lightening of burdens, we must retrench, we must hand over every undertaking that we can to private enterprise, and we must invoke the ready assistance of public spirit and voluntary benevolence. The party in the State which will adopt this policy and desist, once and for all, from attempts to win popularity by promoting 'paternalisms' for this class and that class, will form, as we have said, a rallying-point for every reasonable man in England; will found a National party irrespective of class distinctions, on lines

consonant with all the best traditions of English public life, and earn thereby the gratitude of generations yet unborn.

It was with some hesitation, we have said, that the Government had abandoned all idea of a return to Protection. We do not blame them for this hesitation, which hostile critics have, we think, considerably exaggerated. Protection in the sense desired by the landed interest is an impossibility. Protection as practised by the late Government and many of its predecessors, in the form of numerous State Socialist experiments, has grown burdensome and unpopular. The present Government owes its substantial majority to a revolt against this system. To some extent, the revolters are unconscious of the true nature of the impulse under which they acted, but here we have attributed it, we believe, to its true source.

It is necessary to insist on this with some iteration. It has been represented, erroneously as we believe, that the strength of the Coalition Government is due to the belief that the Conservative Party, permeated with new influences, was ready to embark on a great variety of State Socialistic experiments. Nothing, we believe, can be further from the truth. Politicians actively engaged in trimming their opinions to catch the popular breeze forget and learn very easily. It is not so with the rank and file of the educated classes. The opinions of the old Liberal Party survive in great force and strength, though its nominal chiefs have wandered into strange and devious courses. The attitude of the English Free Trade party to the new Radical Socialism calling



itself Liberal has never been sufficiently understood. Socialism was not a force in English politics in the early days of Cobden and Bright. In France, however, Socialism was already a power, and there the most distinguished exponent of Free Trade doctrine was Frédéric Bastiat, the economist. His whole public career as a writer was an unremitting struggle against Socialism. By a strange freak of fortune a silent revolution has taken place within the Liberal Party in England, and by gradual steps the party of Cobden and Bright has been converted into a semi-Socialist camp. The leading spirit in this transformation was undoubtedly John Stuart Mill. He has described in his Autobiography how from being 'a democrat but not the least of a Socialist,' he fell into a train of thought which carried him 'far beyond Democracy,' and classed him 'decidedly under the general designation of Socialist.' Mill himself, it appears to us, was by no means conscious of the far-reaching importance of this change of front. Without doubt Mill carried a majority of the party, more or less unconscious of the direction in which they were going, along with him, but not all of them beyond recall. Events have shown how incompatible Socialism is with the older Liberal doctrine. Some old Liberals never forsook the faith as it was delivered to them, and as it may now be read in Sir Louis Mallet's able and philosophic exposition of the principles of his master. Others went a certain way. Many have retraced their steps. They are animated by a philosophical principle, and, rightly or wrongly, they regard the present Constitutional Party as the true protector of liberty

and the convinced opponent of privilege and oppression. This is the alliance and heritage which the present Conservative Party may accept. Their new allies must not be unduly alarmed by the occasional and expiring ebullitions of Protectionist zeal. It was inevitable that some of the less observant spirits should misread the signs of the time, and imagine that the recent verdict of the constituencies meant a rehabilitation of the Protectionist policy. As we have said, the so-called Liberal Party consists of discredited leaders, the majority of whom are really in sympathy with their opponents, and a mutinous army.

There is only one chance of their blossoming again into life and vigour, and that chance is not likely to be given them. It would arise if the Constitutional Party, misreading the signs of the time, attempted to supplant the voluntary constructive forces of a free society by what is called 'constructive legislation.' This is a form of competition in which they would be no match for their more reckless antagonists. We do not believe that our leaders will seek this fashion of wrecking the new party which circumstances and the folly of their opponents have welded together.

## CHAPTER VII.

### ORTHODOX ECONOMICS.

THE TOUCH-STONE OF EXPERIENCE AND ECONOMIC TRADING.—  
FRENCH ECONOMISTS AND OBEDIENCE TO NATURE.—  
'LAISSEZ FAIRE, LAISSEZ PASSER.'—ECONOMICS AND THE  
MEASUREMENT OF MOTIVES.—EXCHANGE AS AN ALTERNA-  
TIVE TO WARFARE.—'THE WEALTH OF NATIONS.'—  
EXCHANGEABILITY THE ESSENCE OF VALUE.—ECONOMICS  
OUTSIDE THE SPHERE OF THEOLOGY AND MORALS.—  
ECONOMY HAS BECOME A CONTROVERSY RATHER THAN A  
SCIENCE.—INABILITY TO FRAME ANY ABSOLUTE GENERAL  
LAWS.—RICARDO'S DEFINITION OF VALUE.—J. S. MILL'S  
EXTENSION OF THIS DEFINITION.—SOCIALISTS AND MILL'S  
ARGUMENT OF 'UNEARNED INCREMENT.'—PUBLIC v.  
PRIVATE TENURE OF PROPERTY.—UTILITY THE MEASURE  
OF VALUE.—THE CALCULUS OF PLEASURE AND PAIN.—THE  
PHENOMENON OF 'EXCHANGE' ELUCIDATES POLITICAL AND  
SOCIAL PROBLEMS.—THE BENEFIT CONFERRED UPON THE  
HUMAN RACE BY 'FREE EXCHANGE.'

IN the discussions of a science professing to deal with phenomena falling within the experience of everyday life, there is an ultimate appeal to the tribunal of an intelligent laity. The man of the world, it is true, cannot always be induced to interest himself in pure theory. As a rule, he is content to allow the contending parties to fight out the battle for themselves. He thinks, probably rightly, that in an intellectual conflict the better opinion will in the end prevail.

What, however, is to be done where the combatants are inclined to ignore each other, and where there seems to be no prospect of bringing the discussion to an issue? This appears to us to be the case in the controversy raised by some of the authors mentioned above, respecting the views held by the dominant school of English economists. The plain man, if he has any knowledge that there is a controversy pending, is disposed, in a case like the present, to side with orthodoxy; and orthodoxy, he assumes, is here represented by the endowed profession of economic teachers. The profession is a close corporation. Many, if not all of its members, stand or have stood in the relationship of teacher and pupil, and each successive generation of students has to take its professors as it finds them. These are the conditions, we take it, under which a so-called national school of opinion is formed. If, as of course is possible, the reasoning of this school is based on a false foundation, its authority is still so firmly established that it might, almost unchallenged, rear a vast and elaborate edifice of doctrine, quite as learned, but, at the same time, quite as futile as the speculations of the mediæval schoolmen. A body of opinion so created might long run parallel to, and yet independently of the experience and common-sense of mankind. The man of affairs goes his own way; he does not consult the economists, and he has therefore no occasion to test their teaching by the touchstone of experience. The schoolmen, on the other hand, are perfectly happy, discussing, in the official journal of the profession, subtle and academic themes in a

terminology passing (as one of them has remarked) 'the extreme limits of popular phraseology and comprehension.' A vigorous attack on the strong position of the established authorities has long been in evidence. For some reason, which is not very easy to discover, little or no notice has been taken of it, even by those who are assailed. In a quarrel of this nature the public only begins to show interest when the person attacked is drawn into reprisals. When no counter-attack is made, the controversy is apt to be ignored, except by a comparatively small number of independent students. Our intervention in a dispute which of necessity is somewhat technical seems to require this apology.

The anticipatory criticisms of Whately,<sup>1</sup> the grave misgivings expressed by Mallet,<sup>2</sup> the strenuous but less technical attack of the Duke of Argyll,<sup>3</sup> the large acceptance obtained by Professor Perry's works in America<sup>4</sup> (where their author has penetrated the charmed circle of the professoriate, and where his 'Elements of Political Economy' has gone through eighteen editions), and the elaborate destructive and constructive work of Mr. Henry Dunning MacLeod,<sup>5</sup> seem to us to constitute a body

1. 'Introductory Letters on Political Economy.' By Richard Whately, D.D., Archbishop of Dublin. 3rd edition, London, Fellows, 1847.

2. 'Free Exchange.' By Sir Louis Mallet, C.B., Edited by Bernard Mallet, London, Kegan Paul, 1891.

3. 'The Unseen Foundations of Society.' By the Duke of Argyll, K.G., K.T. 2nd Ed., London, John Murray, 1893.

4. 'Principles of Political Economy.' By Arthur Latham Perry, LL.D., London, Kegan Paul, 1891.

5. 'The History of Economics.' By Henry Dunning MacLeod, M.A., London, Bliss, 1896.

of opinion which cannot be passed over in silence. We shall endeavour to approach the subject in an independent but, we hope, a candid spirit, and from the point of view and in the interest of the average layman. The criticisms above cited, have, we confess, made an impression on us. They are of sufficient weight to give rise to a suspicion that we are, as Mr. Jevons formerly remarked, living in a fool's paradise with regard to economics. The dominant school may have a complete answer and may be able to recover our allegiance. In view of their silence, however, we feel justified in seeking to engage the attention of the laity on behalf of the less authoritative view. If our action has the result of obliging those who are in possession of the public ear to defend their position, and to expose the fallacies of their critics, our object will have been gained.

'The first systematic attempt,' says Professor Marshall, 'to form an economic science on a broad basis was made in France, about the middle of the eighteenth century, by a group of statesmen and philosophers under the leadership of Quesnay. . . . The corner-stone of their policy was obedience to Nature.' They insisted that restriction was artificial and that liberty was natural. The idea of liberty was taking possession of the minds not only of philosophers but of the people. The physiocrats gave a scientific sanction to the system of freedom of industry and enterprise, which, in the era then dawning, was about to replace 'the cruelty of the yoke of custom and rigid ordinance' ('Principles of Economics,' p. 91). Adam Smith 'developed the

physiocratic doctrine of Free Trade with so much practical wisdom, and with so much knowledge of the actual conditions of business, as to make it a great force in real life; and he is most widely known both here and abroad for his argument that Government generally does harm by interfering in trade' (*ibid.*, p. 56).

It would be interesting and, we believe, profitable, at another time, to analyse this apotheosis of the conception of liberty. Sir Henry Maine has pointed out that enterprise, expansion, change, the principal manifestations of liberty, are characteristic of only a very small portion of the human race. To speak generally, the idea has made itself felt in western and modern civilization only. The evolutionary theory of creation, if applied in explanation of our intellectual growth, suggests the hypothesis that where the mental vitality of the members of a community is active, there is a rapid accumulation of experience in favour of substituting free initiative for 'the yoke of custom and rigid ordinance.' Hence the idea of freedom of opinion, of speech, of migration, and of trade, has become in a measure sacrosanct. This assumption has at times led the vulgar into wild excess, because they have not realized the correlative truth which experience confirms quite as surely, if not as emphatically, namely, that liberty consists in self-imposed restraint necessitated by the mutuality of our social environment.

The old so-called classical economists were deeply impressed by the advantages resulting from an observance of the maxim *laissez faire, laissez passer*.

It is alleged that they enunciated the doctrine of free exchange as if it had the force of a categorical imperative for all human conduct. This system, they thought, gave the largest amount of satisfaction to human motive, and therefore led to the greatest production of wealth. It is alleged, however (and undoubtedly the habitual language of the school justifies the allegation), that their conception of human motive and of wealth was narrow, their interpretation of human nature too commercial. From their doctrine there has been a reaction, but, as it appears to us, the uncertainty as to what is meant by 'motive' (or, what is practically the same thing, 'human nature') and 'wealth' still continues.

Professor Marshall, for instance, conceives that economics is largely concerned with the measurement of motives; and in this connexion he speaks of motives as high and low, as self-regarding and not self-regarding—forms of expression which seem to imply the right to use the moral imperative. In using a calculus of human motive, he cannot avoid characterizing motives in terms of moral praise and blame. The object of economics is not to study the phenomena of exchange, as a subject from which all consideration of motive can be rigorously excluded. On the contrary, 'the *raison d'être* of economics as a separate science is that it deals chiefly with that part of man's action which is most under the control of measurable motives' (*ibid.*, p. 93). At the same time he admits that 'the highest motives are for the most part non-measurable and evade the economic calculus,' not, perhaps, permanently, for 'the range of economic measurement may gradually extend to



much philanthropic action ' (*ibid.*, pp. 81, 83). By the procedure adopted, he is able to make his economic man a more human figure than that presented by the older economists; but *ex hypothesi* the picture is not complete, by reason of the impossibility of including the 'higher motives.'

Whately and the school to which this article is designed to draw attention, evade this difficulty and declare that, as economists, they have nothing to do with the motives which determine exchange. They assume that there are motives, but the consideration and analysis of these are for the sciences of psychology and ethics. A method which proposes to deal with some motives only is not satisfactory. All motive, it is represented, is the subject of moral science, just as all exchange is the subject of economic science.

A justification of the view, attributed, though not without protest on their part, to the older economists, that an economic law has the force of an imperative, might be found in a frank adoption of an experimental and evolutionary theory of ethics. If economists wish to claim for the generalizations of their science an authority concurrent with that of ethics and religion, they can only establish that pretension by proving morality to be purely derivative from that human experience of which exchange is no inconsiderable portion. This suggestion opens out a large field of speculation which it is impossible to survey here in any detail. It is the less necessary because no English economist, as far as we are aware, has ventured to put forward this argument. A certain approach towards it has, it is

true, been made by an ingenious French economist, M. de Molinari.<sup>1</sup> Starting from the assumption that man acts under an impulse to satisfy his wants with the least possible effort, he points out, if we may illustrate his theory by citing an important instance, how, in certain states of society, this law of the economy of effort impels men to satisfy their wants at the expense of others, in other words by warfare. At this period of man's history even the most aggressive forms of private and public warfare are regarded with moral approbation. When, however, industry becomes necessary to feed the demands of a military system, and when war ceases to be profitable, industry and the subdivision of industrial effort by means of exchange becomes a competing alternative to warfare. The same law of least effort is tending now to make warfare give place to the more economical arts of peace.

M. de Molinari applies the same reasoning to all human action, and—to take an instance relative to our present theme—he suggests that the same principle of competition is making self-government or liberty appear more efficacious in furthering the aspiration of a civilized people, and therefore more in accordance with the law of least effort than the cumbersome and expensive system of governmental regulation. Out of this experience, by the aid of the laws of competition and of the economy of effort, the conceptions of right and of duty or morals have been evolved. The solution of social difficulties, he argues, is to be found in bringing the wholesome force of competition to bear on all our social arrangements, more particularly on those govern-

1. *Comment se résoudra la Question Sociale.* Par G. de Molinari. Paris, Guillaumin et Cie., 1896.

mental regulations which, resting on force and not on the free choice of the governed, are liable to become stereotyped and oppressive. Such an argument attempts to solve, in one way, the controversy as to the ethical aspects of economics. It practically identifies economic and moral science.

Returning now to the history of economic speculation in this country, we may say without disrespect that even the powerful and acute intellect of Adam Smith was to a certain extent a creature of circumstances. The 'Wealth of Nations' is an attempt to justify, on philosophical grounds, one aspect of an instinctive conviction, which, as a general proposition, was already making itself felt in the minds of all men. Full justice has been done to the great revolution of opinion to which Adam Smith's work so materially contributed. It was not possible, however, for one man to surmount all the intellectual difficulties of the situation. It is characteristic of the incomplete nature of his system, that, although his great work is called the 'Wealth of Nations,' he has nowhere formulated a precise definition of wealth. In the course of his discussion he sets forth more than one contradictory conception on this point. He says (Book I, cap. xi) that wealth is 'the annual produce of land and labour.' In his enumeration of wealth, however, he includes many objects which are not the produce of land and labour, *e.g.* promissory notes and labour itself.

Mr. MacLeod, arguing that wealth, or rather value (the aspect of wealth with which in his view economics deals), consists in exchangeability, finds it easy to discover a sanction for this view in Smith's

somewhat vacillating and merely descriptive treatment of the subject, as when he remarks that 'a guinea may be considered as a bill. . . . If it could be exchanged for nothing, it would, like a bill upon a bankrupt, be of no more value than the most useless piece of paper.' 'Thus, after all,' says Mr. MacLeod, 'Smith comes back to Exchangeability as the real essence of value. These two fundamental conceptions of wealth, as "the annual produce of land and labour," and "exchangeability," do not coincide'; and he goes on to explain the origin of the controversy, which we are now endeavouring to describe, in the following terms:—

'The utter incongruity of ideas in the beginning of Smith's work with those in the latter half has often been observed. Ricardo has adopted the former half of the work, and Whately the latter. Ricardo adopts Labour as the essence of wealth and value, and Whately adopts Exchangeability. Mill's work is the development of Ricardo's views, whilst this work [MacLeod's "Elements of Economics"] is the development of Whately's. In accordance with the unanimous doctrine of antiquity, Exchangeability is adopted as the sole essence and principle of wealth; and it is shown that there are three orders of Exchangeable Quantities, exactly as the ancients said, and as Smith has admitted.' ('Elements of Economics,' Vol. I. p. 80.)

Let us now endeavour to present a few of the leading issues raised by the school of Whately. Some of them, we are disposed to think, have been too lightly dismissed by the authorities in possession.

Lecturing in 1831 as Professor of Political Economy in the University of Oxford, Archbishop Whately declared (Preface, pp. viii, ix):—

‘ It has been my first object to combat the prevailing prejudices against the study; and especially those which represent it as unfavourable to Religion. . . . By accepting the endowment of a Professorship of Political Economy, the University may be regarded as having borne her public testimony against that prejudice: and . . . has implied the full conviction of a Body which is above all suspicion of indifference to Christianity that there is at least no discordancy between that and the pursuits of the political economist.’

After a passing allusion to the formal condemnation (then only very lately rescinded) of the theory of the earth’s motion, as at variance with Scripture, he proceeds :—

‘ Throughout Christendom this point has now, it appears, been conceded; but that the erroneous principle—that of appealing to Revelation on questions of physical science—has not yet been entirely cleared away, is evident from the objections, which most of you probably may have heard, to the researches of Geology.’

These sentiments, uttered more than sixty years ago, may seem now out of date, but *mutatis mutandis* they are still capable of a present-day application. The objection to treating economics as the separate and independent science of exchange is not now made on the ground that it is contrary to revelation, but rather on the ground that it is contrary to certain *a priori* conceptions of man’s moral and artistic nature. The religious prejudice perhaps is dead, as witness the following expression of opinion by a distinguished contemporary churchman, Canon Scott Holland :—

‘ We have learnt by sharp experience,’ he says, ‘ how

totally unfit the Church is to anticipate or to control the movements of knowledge. Her unfitness has proved that any such attempt was in excess of the intention which created her. And it would be no less stupid than it would be fatal to re-enact this blunder in the department of Economic Science, just at the very moment when she has discovered her mistake in all other regions of knowledge.' ('Econ. Review,' Jan. 1895, p. 3.)

But we have still to combat the prejudice that economics is in some way a usurpation on ethics, a prejudice which permeates the views of Ruskin, and to which it appears that Mr. Marhsall, as above quoted, has to some extent yielded.

In this sense Whately has also remarked :

'I could wish, therefore, that the complaint against Political Economists, of confining themselves to the consideration of wealth, were better founded than it is; for there is nothing that tends more to perplexity and error than the practice of treating of several different subjects at the same time, and confusedly, so as to be perpetually sliding from one inquiry to another, of different kinds' (p. 19).

'In fact,' he says elsewhere, 'the whole question respecting the desirableness of ultimate advantages or disadvantages of wealth, is, as I formerly remarked, only obliquely and incidentally connected with Political Economy; whose strict object it is to enquire only into the nature, production, and distribution of wealth; not its connexion with virtue or with happiness' (p. 45).

So far the Archbishop aims at freeing the study of economics from the control of theological and moral considerations. The science, he has already explained, has a definite subject-matter of its own. It is, in fact, the science of exchanges. The distin-

guished prelate whose words we are quoting would have been the last man to disparage the authority of theology and morality. He would certainly have admitted the legitimate title of these sciences to reign supreme over human conduct. Man's desire to 'exchange' is largely prompted, coloured, and controlled by theological and moral considerations. With that, the science of economics has, in the Archbishop's view, no concern. It has nothing to do with motives, but only with the exchanges to which motives give rise. The exchangeability of things is a phenomenon warranting the creation of a separate science, just as the phenomenon of heat or of motion demands in each case a separate scientific treatment.

Having vindicated for economics its independence of the rule of the theologian and the moralist, he proceeds to attain 'his first object' by combating the prejudices of the man of the world. Looking at the present position of the science, a disciple of Whately might be justified in adopting the argument which he then used. The comparative indifference of the man of the world, he would say, and the comparative discredit into which the study of economics has fallen, are the result of the neglect by economists of the rules laid down by the Archbishop. In the hands of its present professors, economics is not a science; it is a controversy. Its teachings are strained hither and thither by religious, moral, and political considerations. This may be due to a variety of causes. It may be due to the fact that economists do not clearly define the subject-matter with which their science is to deal, that they have

attempted to dogmatize in regions which properly belong to other branches of study, or that by hesitation or compromise they have not attained truth, but have merely abandoned sound theory when it seemed for the moment irreconcilable with the prejudices and practice of ordinary men.

Such a critic would insist that while, on the one hand, economics has been too ambitious, in seeking to promulgate an applied science before the pure science has been defined and developed, it has also been too humble, for, when detected in making erroneous applications of formulæ only imperfectly thought out, instead of returning again to examine definitions and first principles, it has sought to evade difficulties by the admission of exceptions, a fatal device when we are attempting to formulate general laws. The result has been that the man of the world is contemptuous of a so-called science which is tentative, apologetic, ready to compromise and to riddle with exceptions the general laws which it propounds. The almost insuperable tendency of its professors to claim for it a practical as well as a scientific authority has brought it into conflict, while still in a confused and immature condition, with religion and morality and with the demands of political expediency. When the plain man of the world finds his own special province invaded by theorists, armed with a body of maxims which do not claim the universal validity of exact science, he not unnaturally remarks that his own weapon of common-sense is quite as useful for the conduct of affairs as the more pretentious doctrines of a science that is unable to frame any absolute general laws.



If this is all that economics can do, it is merely a superior sort of common-sense; and every man of ordinary intelligence who looks a few yards in front of his nose is entitled to call himself a political economist. In this sense, Archbishop Whately remarks, 'Political Economists are far more numerous than is commonly supposed' (p. 73). A physician who treats a malady in an unscientific fashion is still said to be practising medicine. Buonaparte, who detested the name, was still a political economist when he endeavoured to destroy the trade of Europe with a view to gain advantage for his own country. He had failed, the Archbishop suggests, to realise the truth of the maxim that in an exchange both sides secure a profit. His political economy was in fact 'erroneous.' Singularly enough, the attempt and failure of Napoleon to make war profitable have been selected by M. de Molinari as an illustration of his theory that to seek profit by war is an economical action in process of being displaced by the less onerous methods of industry and exchange. At the risk of appearing hypercritical, we venture to suggest that, in describing Napoleon's practical economics as 'erroneous,' the Archbishop is in danger of transgressing his own maxim. The formula used by M. de Molinari enables him to say that war is uneconomical, is in fact condemned by the dictates of the 'Law of Least Effort'; but the epithet 'erroneous' seems to import considerations with which economics has nothing to do.

In the following quotation will be found a certain reconciliation between the views of the evolutionary

economist as represented by M. de Molinari and the Christian Archbishop :—

‘Anatomy and physiology,’ the Archbishop remarks (p. 80), ‘are found, the more they are studied, to throw more and more light on the stupendous wisdom of contrivance which the structure of organised bodies displays—in short, to furnish a most important portion of Natural Theology. And it might have been anticipated that an attentive study of the constitution of Society would bring to light a no less admirable apparatus of divinely-wise contrivances, directed no less to beneficial ends; that, as the structure of a single bee is admirable, and still more so that of a hive of bees, instinctively directing their efforts towards a common object, so the Divine Maker of the human bodily frame has evinced no less benevolent wisdom in his provisions for the progress of Society; and that, though in both cases the designs of Divine Wisdom are often counteracted by human folly—by intemperance or neglect as far as relates to the body, and by mistake or fraud in respect of the community—still, in each case, attentive study may enable us to trace more and more the designs of a wise Providence, and to devise means for removing the impediments to their completion.’

Later, Dr. Whately dwells (pp. 93, 94) on the ‘provisions made by Divine Wisdom,’ whereby ‘what may be called the instincts of Man lead to the advancement of Society.’

‘And here,’ he continues, ‘I must take occasion to remark, that I do not profess to explain why things were so ordered that any advancement at all should be needful—why mankind were not placed at once in a state of society as highly civilised as it was destined ever to be. The reasons for this are probably unfathomable by us in this world.’

The difference between the French economist and

the English Archbishop is not really wide. Where Whately sees Providence, the modern economist sees the working of the evolutionary principle. To the religious mind, evolution, like every other law of nature, will appear to be an emanation of Providence, to be conceived only by an act of faith; but, if we may rely on the quotation already given from Canon Scott Holland,<sup>1</sup> the theologian must be content to follow the secular history of the origins of life, morals, and societies according to the method of the physical sciences. The 'unfathomable' mystery of why the world exists at all remains an undisputed field of speculation for the professor of theology. The manifestations of life and of consciousness, which constitute the history of creation and society, form the equally undisputed territory of the physical sciences.

While the speculations advanced by M. de Molinari may appear to rest too much on unverified hypothesis, the teleological argument of the Archbishop, which after all is only put forward by him incidentally and hypothetically, will not in the present day obtain any general acceptance. It results, therefore, that, if economics is to attain to the rank of an independent science, we must discover some property of wealth which permits us to treat it, like the phenomenon of gravitation, entirely apart from the uses to which it is put in human society.

This property Whately and his school think they have discovered in the attribute of exchangeability. 'Adam Smith,' says the Archbishop, 'has designated his work a treatise on the "Wealth of Nations," but

1. Ante p. 238.

this supplies a name only for the *subject-matter*, not for the *science* itself.' He then states that his view, as already indicated by our quotation from Mr. MacLeod, 'does not essentially differ from that of Adam Smith; since in this science the term wealth is limited to *exchangeable* commodities; and it treats of them so far forth only as they are or are designed to be the subjects of exchange' (p. 6).

'This limitation of the term Wealth to things contemplated as exchangeable has been objected to on the ground that it makes the same thing to be wealth to one person and not to another. This very circumstance has always appeared to me the chief recommendation of such a use of term; since the same thing is different to different persons' (p. 7).

This last consideration, as we understand it, is fundamental to the whole conception of value as presented by this school. Value is not a property residing absolutely in the commodity, resting on utility or cost of production or any similar intrinsic quality. Value is a quality imputed to objects by persons who regard them with a view to exchange; and it is precisely because such estimates differ that exchange becomes possible and is able to confer a profit on both parties concerned. The orthodox school, instead of analyzing exchange, treat utility as the fundamental element in value, and go on to refine upon it with great ingenuity and industry. For ourselves, however, we must confess to being unable to appreciate the importance of the theory of marginal utility which has been developed with such infinite pains by Professor Marshall. It appears to us to be a rather cumbersome way of introducing a

number of obvious and, for the purpose of a complete definition, irrelevant truisms. It attaches an exaggerated importance, as it seems to us, to the fact that demand slackens as satiety is approached. If, as is alleged, utility, conceived of as an intrinsic property of valuable things, is too narrow a foundation on which to rest a theory of value, it will follow that 'marginal utility' must partake of the same defect. In every appreciation of values by the two parties to an exchange there is a mental summation of profit and loss; and the doctrine of marginal utility formulates merely one narrow and incomplete aspect of this fact. All that it is important to notice is that a man's appreciations of value will vary hour by hour, and that *ex hypothesi* they will differ from the appreciations of the person with whom an exchange is effected.

Our appreciation of value therefore is like the views in a kaleidoscope. It is never constant. If we attempt to make it constant by saying it depends on the intrinsic utility of the commodity, we are met by the difficulty that between men with well-balanced minds no exchange could ever take place, for each would see the same value in the same objects. There could then be no expectation of profit from exchange, and the whole subject-matter of economics would cease to exist. If, in our endeavour to escape from this dilemma, we say that economics 'is on the one side a study of wealth, and on the other and more important side, a part of the study of man' (Marshall, p. 1), we fall at once under the ban of the Archbishop's objection to 'treating of several different subjects at the same time, and confusedly,

so as to be perpetually sliding from one inquiry to another.' The ambiguity of the term wealth, covering moral well-being as well as exchangeable commodities, has induced Professor Perry to eliminate the word from his economic vocabulary; and accordingly in his 'Principles' he speaks only of Value. The element in human nature, relative to value, is the fact that man *appreciates* and, under the influence of the law of economy of effort, *exchanges*. In Professor Marshall's eyes wealth connotes not only value but 'virtue and happiness,' and the portion of human nature relative to this conception is the whole range of human motives. These he proposes to study and as far as possible to measure. This study of man, combined with the study of value and virtue and happiness, constitutes the science of Economics. The result, we confess, seems to us to justify Archbishop Whately's prediction that this sliding from one enquiry to another will result in error and confusion.

Let us next glance at the development of Adam Smith's definition of wealth as the 'annual produce of land and labour,' in the hands of Ricardo and his successors. Mr. MacLeod points out that Ricardo gives no definition of the science of economics, but plunges at once into a discussion of value. The value of a commodity, he says, depends on the relative quantity of labour necessary for its production. When we reflect on the worthlessness of the products of labour in many instances within our own observation, we are disposed to wonder how so acute a man could have deceived himself with a generalization so obviously opposed to the facts of

the case. As Mr. MacLeod, quoting Bacon, justly remarks, 'the little David' of one inconsistent instance suffices to overthrow the general law.

The consequences of this erroneous assumption have been numerous and important. The value of labour, Ricardo held, itself depended on the cost of production of labour. This gravitated constantly to the lowest form of maintenance on which it was possible for the labourer to exist. Ricardo, it is true, qualified this melancholy doctrine in a variety of ways; but the qualifications, the very necessity of which bears witness to the unsoundness of the premises on which his theory is based, have been overlooked by those who had their own point to prove. This imperfect analysis of the conception of value has given rise to some of the most dangerous misconceptions with which mankind has been vexed. Anti-social revolutionists have seized on this definition, and have terrified the ignorant by displaying the so-called Iron Law of Wages, which condemned the labourer to live on the very barest provision sufficient to keep body and soul together. From this fallacious conception also is derived Marx's doctrine of surplus value, and its corollary that, as labour is the cause of value, so the ownership of value, or at least of all profit arising from exchange, should vest in the labourer to the exclusion of all other interests, however fully they might be recognized by the laws of jurisprudence and the very necessity of things. Ricardo's theory of rent, in like manner, has furnished a cloak of plausibility for Mr. George's crusade in favour of the nationalization of land. This aspect of the question is very familiar.

In these pages, however, we are concerned rather with the legitimate academic followers of Ricardo—those whose work it has been to patch up Ricardo's inconsistencies with the view of making his theory square with the testimony of common-sense. In the rapid survey which follows, we must confine ourselves to a notice of the most conspicuous names.

John Stuart Mill, whose work has exercised a most important influence on English economic speculation, was a disciple of Ricardo. He saw, however, that Ricardo's law of value was founded too exclusively on the quantity of labour which it costs to produce and bring a commodity to market. Accordingly he enlarged the definition, and included other familiar elements in the cost of production. He then asserts that value is determined by cost of production. This law, however, he admits, is only occasionally applicable. It does not hold good with regard to goods produced at a distance. It is inapplicable, therefore, in markets into which some goods have been introduced from foreign lands. Mill expressly admits this, and points out that goods brought into a market from a foreign or distant place of manufacture will have a value quite irrespective of their cost of production. Mr. MacLeod, we are bound to say, seems to us perfectly justified in arguing that this admission breaks down the whole of Mill's theory. It is inadmissible, in a body of doctrine purporting to be a science, to formulate contradictory laws for an explanation of one and the same phenomenon.

Whately's definition (that value is exchangeability) is expressly rejected by Mill. His reasons



are curious and instructive. 'If these denominations' (viz. Whately's), he says, 'had appeared to me logically correct, I must have placed the discussion of the elementary laws of value at the commencement of our enquiry, instead of postponing it to the Third Part' (we do not reach Book III; 'Exchange': chapter i; 'Value,' till we are nearly half-way through Mill's 'Principles of Political Economy'), 'and the possibility of so long deferring it is alone a sufficient proof that this view of the nature of Political Economy is too confined.'

As a matter of fact, in the preceding books, Mill has discussed production, labour, capital, wages, profits, rent—subjects which, with the addition of credit, comprise all the phenomena of value. It is impossible not to suggest that Mill had been discussing value, as M. Jourdain talked prose, unconsciously. Mill further urges that in states where custom and usage are supreme, exchange is not the distributing agency. This is true, but where there is no exchange, there is no economics. We question, however, if there is any form of human society where exchange is not practised. We have already quoted the ingenious argument of M. de Molinari by which he has represented warfare and the arts of peace as alternative habits pressed on the acceptance of mankind by the law of the economy of effort, and in this way made subject to man's appreciation of their relative value. In like manner 'custom and usage' are also forces which the competition of contract and exchange is ever tending to banish from human society. Thus Professor Marshall, speaking of the era of the

earlier economists, remarks on 'the cruelty of the yoke of custom and rigid ordinance which it [free enterprise] displaced.' Mill next employs an argument which, if economics is to be held as a science chiefly concerned with modern industrial conditions, seems to us to condemn entirely his own treatment of the subject.

'In a state of society, however, in which the industrial system is entirely founded on purchase and sale . . . the question of Value is fundamental. Almost every speculation respecting the economical interests of a society thus constituted implies some theory of Value; the smallest error on that subject infects with corresponding error all our other conclusions; and anything vague or misty in our conception of it creates confusion and uncertainty in everything else. Happily there is nothing in the laws of Value which remains for the present or any future writer to clear up; the theory of the subject is complete. . . .'

Unfortunately this latter view is far too sanguine, but the truth of the earlier portion of the quotation will be admitted only too readily by the puzzled and bewildered student of a work which runs well-nigh half its course before this fundamental question is consciously introduced.

In the very able economical fragment which forms the second part of Sir Louis Mallet's posthumously published volume, the law of value and the theory of the unearned increment are discussed with great acuteness. The 'corresponding error' introduced by Mill into all his economical reasoning, through his defective conception of value, is clearly pointed out.

'Ricardo and his followers,' Sir L. Mallet says (p. 239),

'divided commodities into two classes—the one in which competition was assumed to operate freely, and the value of which was supposed to be regulated by cost; the other consisting of monopolies, whether natural or artificial, the value of which was determined by supply and demand, irrespective of cost. From this point of view it was inevitable that whenever in the latter category the exchange value exceeded the cost, the notion should arise that the surplus value was "unearned." . . . But while regarding the so-called surplus value derived from monopolies as a privilege, the Ricardian school nevertheless held this privilege to be necessary in the interests of society, and therefore to be sanctioned by science. They therefore accepted the principles of private property and free exchange as applicable to both classes of commodities without distinction. Mill and his contemporaries have formally dissented from this conclusion. They split up commodities into three classes: (1) absolute monopolies; (2) those on which competition freely operates; (3) land. The first they set aside as of no practical importance, and thus get rid of an inconvenient objection to their theory. The second they assume to include everything of practical importance except land. The third, land. Here they observe that the cost of production varies according to quality of soil, situation, etc., and conclude that the difference between the cost on the worse soil and the better is "uncared increment." This surplus value they attribute not to nature, but to the labour and efforts of the community at large. They therefore condemn private property and free exchange in the case of land, and decide in favour of collective appropriation in the name of science and on the plea of social expediency.'

The whole of this fallacious reasoning rests on the erroneous assumption that value is determined by cost of production. If this assumption is erroneous, and if the same cause is to be assigned for all forms of value, the distinction between value in land and

value in other commodities falls to the ground. There will, therefore, be no economical reason for assailing private property in land as distinguished from other things. The modified Socialism of Mill then becomes illogical. The Socialists, indeed, have fully realised the fact, and seek to apply Mill's 'unearned increment' argument to all forms of property. This, however, would probably have been too large a proposition for Mill and his followers; and if the point had been pressed against them they would have retrieved the result of an erroneous theory by an illogical lapse into common-sense. There is obviously a close connexion between value and cost of production, but the question is, which is cause and which is effect. Sir Louis Mallet quotes Condillac, '*Une chose n'a pas une valeur parce qu'elle coûte, mais elle coûte parce qu'elle a une valeur.*' No change in the cost of production will cause a change in value unless it is accompanied by a change in the relation of supply and demand.

'Formerly philosophers'—we here quote Mr. MacLeod—'thought that the motion of projected bodies had a natural tendency to decay. They saw that the motion of a projected body always gradually diminished and finally ceased. It was quite easy to calculate results upon this principle. Given a certain velocity of projection, it was quite easy to calculate when the motion would cease upon the supposition that it naturally decayed. And the results would have agreed with the calculations. What could be more satisfactory?' ('Elements of Economics,' ii, 27).

This, says Mr. MacLeod, is an exact analogy of Ricardo's law of value.

Our object, however, is rather to indicate the point

of the issue than to set out the argument in detail, and we must here content ourselves with a summary of the contention of Whately and his school as set out by Mr. MacLeod. ' . . . Buyers do not give high prices because sellers have spent much money in producing; but sellers spend much in producing because they hope to find buyers who will give more.' There is, as Mill has remarked, a correspondence between value and cost of production in certain cases (*e.g.* in goods made in contiguous competitive manufactories); but, as we have pointed out, he has to invent a different law for goods made in distant unconnected manufactories. The proposition that value is determined by supply and demand, adopted by Mill in some cases, will be found, say his critics, to apply to all cases. Goods produced more cheaply in a distant manufactory, unless an increased quantity is put on the market, will still sell at the current market rate, and the extra profit will go entirely to the producers, among whom of course the carriers are included. Causes must not be multiplied beyond necessity, and we must be content to accept the formula which covers every case.

The question of a public as against a private tenure of property, the real issue raised in the 'unearned increment' controversy, may be discussed with the aid of ethical and judicial science, but economics has nothing to say to it, and certainly cannot distinguish between one class of property and another. The controversy might, after a fashion, be brought within the cognizance of economics, if the two systems were represented to us as rival interchangeable methods. M. de Molinari and indeed

many other economists have pointed out that, in this rivalry, the law of least effort, styled by Professor Marshall the law of substitution, has given a preference to the system of private tenure. A classical exposition of one instance of this process is to be found in Arthur Young's advocacy of enclosures as against the wasteful common-field cultivation. The law of least effort has, during every observed period of history, induced men to convert public tenure into private tenure. The community or wide extension of enjoyment, which is the desire of all civilized society, is more economically and more efficiently procured by a private tenure aided by freedom of exchange. Such, at least, seems to be the verdict of history.

A reconstruction of the Ricardian economics was demanded by the late Mr. Stanley Jevons, who says in the preface to his 'Theory of Political Economy' (second edition, p. xlix): 'The conclusion to which I am ever more clearly coming is that the only hope of attaining a true system of Economics is to fling aside once and for ever the mazy and preposterous assumptions of the Ricardian School. Our English Economists have been living in a fool's paradise.' Then, after a reference to those 'able but wrong-headed men,' Ricardo and his admirer J. S. Mill, he says: 'It will be a work of labour to pick up the fragments of a shattered science and to start anew, but it is a work from which they must not shrink.'

Jevons, for some reason which we are not altogether able to understand, obtained a hearing for his views which has been denied, in this country at all events, to Whately, MacLeod, and Sir Louis

Mallet, and to the very considerable number of French economists who have approached more or less to agreement with the above-named writers. Jevons, not content with his successful destructive criticism of the Ricardians, ventured on construction of his own. Here we fear he was less successful. 'Repeated reflection and inquiry,' he says (p. 1), 'have led me to the somewhat novel opinion that value depends entirely on utility.' He therefore endeavours to institute a 'calculus of pleasure and pain.' 'Pleasure and pain' (p. 40) 'are undoubtedly the ultimate objects of the calculus of economics. To satisfy our wants to the utmost, with the least effort—to procure the greatest amount of what is desirable at the expense of the least that is undesirable—in other words to maximise pleasure, is the problem of economics.'

Now if we employ again the services of the 'little David'—the particular case—we can readily see the unsatisfactory nature of the term utility, used in this connexion. An original edition of Shakespeare would be very valuable, but only by an abuse of language could it be called useful. The respective utilities of a ton of coal and a diamond weighing a fraction of an ounce have no relation to their value. Conversely, 'the air and the sunlight,' says Bagehot, with, we conceive, the unanimous consent of economists, 'the riches of nature, are nothing in political economy' ('Economic Studies,' p. 100). Air, sunlight, and rain are eminently useful things, but they cannot be valued in the economic sense of the term.

Jevons begins, as we have seen, by declaring for

a mathematical treatment of the subject; but it appears to us that when, as above, he defines the main problem of economics to be the maximising of pleasure, he is assuming for economics a practical and applied authority which his earlier definition has already excluded. Now it may be true, and it probably is true, that man does use a calculus of pleasure and pain; in other words, he is under the influence of the 'law of least effort,' or the 'law of substitution.' If it were not so, there would be no economics, and, for that matter, no human action of any kind whatever. Under the influence of this law, by whatever name we choose to call it, he is irresistibly led to a comparison of values and to subsequent acts of exchange. The facts, not the reasons, of these assessments of value, and the subsequent exchange are possibly the subject of an exact science. When we attempt, however, to pass beyond this and speculate about pleasure and pain and human motives generally, we are slipping into a wider enquiry. Even if we allow ourselves to pursue it a certain way, we shall find that utility is far too narrow a description to give to the subject-matter of human desire. It is because imputations of value are essentially inconstant, and entirely kaleidoscopic in their variety, that profitable exchange, giving advantage to both parties, has become so important and so equitable a factor in human society. Attempts to get behind the fact and to name 'utility' as the determining object of desire are surely inadequate. It is only by explaining away all the stable and definite meaning which belongs to the term—in fact by assimilating the term



'utility' to the perfectly colourless phrase, 'that for which there is demand'—that the theory obtains the slightest appearance of plausibility. This, of course, is the point so strenuously contended for by Whately and MacLeod.

The fate of Jevons's utility theory at the hands of his successors is not a little curious and instructive. Professor Marshall has adopted with modifications Jevons's theory of value, but he seeks to engraft it on the Ricardian system which Jevons's criticism had shattered. He has bestowed great ingenuity and labour on a development of Jevons's theory of marginal utility, but his eclectic adoption of Ricardo's principles has induced a not unfriendly critic to describe his 'Principles of Economics' as a rehabilitation of Ricardo. He blames Ricardo (p. 61) for having 'regarded man, so to speak, as a constant quantity,' and complains of his narrowness and want of sympathy. Ricardo, it is objected by Professor Marshall, assumed that the determining motive in man's action is what is called an economic motive ('economic' in this connexion being synonymous with 'commercial'). The suggestion, of course, is that the economic motive is a sordid motive—that, as a matter of fact, it is not and ought not to be a determining motive. Now it is, of course, necessary for the economist to assume that there is some determining motive for every human action. Ricardo's error, according to Professor Marshall, is that he has taken a narrow view of human motive. According to Whately and MacLeod, he errs in attempting to characterize these motives at all; nor would such writers admit that

Professor Marshall's attempt to enlarge Ricardo's conception has been more successful. The true course for the economist to pursue is to leave motives to the appropriate sciences of ethics and psychology. In economics a general determining motive for exchange must be assumed, but the determining motive for specific acts of exchange cannot profitably be considered by that science.

Professor Nicholson of Edinburgh adheres to the methods of the older economists, and has advanced some very searching and, as it appears to us, successful criticism against the constructive portion of Jevons's work, more particularly against the doctrine of 'marginal utility.' His general conclusion may be thus summed up: 'The method of the so-called orthodox English economist has only been modified and supplemented, not revolutionized and supplanted, by the [historical and] mathematical methods of recent writers.' This criticism, with the qualification to be noted below, appears to us entirely just. Jevons, indeed, went into open revolt, and talked of the shattered science; but his adoption of utility as the intrinsic quality which constitutes value brought him again into line with the Ricardian school. Jevons, moreover, it must be noted, was not the originator of the revolt: he was anticipated by Whately and by MacLeod. Other interests claimed the time and attention of the Archbishop of Dublin, and this contribution to the science of economics remains only a fragment. Mr. MacLeod, on the other hand, whose 'Elements of Political Economy' was published in 1857, and whose first work on banking appeared two years

earlier, has remained a strenuous and industrious Ishmael among his brother economists for nearly half a century.

Here we must admit that Mr. MacLeod's methods of controversy are not always persuasive. Persons who have been brought up in the school of Mill, and who, whether they accept his economic opinions or not, must always entertain a warm admiration for his elevated and disinterested character, are repelled by language like the following: 'Every page of his [Mill's] work is full of the most glaring ignorance and blunders; and there is scarcely a single point in which he does not contradict himself. Now, in sober seriousness, we must ask how is this more consistent with scientific morality than cheating at cards, or forgery, or issuing base coin.' The natural conclusion of the cursory reader is that a writer employing such language has a weak case; and we are disposed to think that Mr. MacLeod's occasionally violent style of controversy has prevented a larger acceptance of his views. It is impossible not to admire Mr. MacLeod's courage and pertinacity in maintaining almost single-handed what he regards as the true theory of economic science. As disinterested spectators we venture, however, to remind him of the humane notice posted up in a western American church: 'Do not shoot the organist: he is doing his best!' Mr. MacLeod's best friends must regret these ebullitions, and hope that they will not deprive him of that share of public attention to which he is justly entitled in virtue of his learning, pertinacity, and closely reasoned though occasionally diffuse style of argument.

We have dealt in cursory manner with the destructive criticism which Mr. MacLeod has directed against the current system of economics. We must now endeavour, very shortly, to indicate his constructive method. After pointing out the objection to every other definition that has been advanced, he shows that his own definition (*viz.*, 'Economics is the science which treats of the laws which govern the relation of exchangeable quantities') is the only one which satisfies the scientific requirements of the case; and that there are three classes of exchangeable quantities: (1) Material commodities; (2) Services; (3) Incorporeal wealth or Rights, *e.g.* credit.

Apart from the general theory of the science of economics, it is now generally admitted that Mr. MacLeod's analysis of the third class of exchangeable quantities is extremely suggestive and valuable. By giving prominence to the phenomenon of credit and to the exchanges in which it plays a part, he has made the science of economics co-extensive with the whole range of modern commerce. Antecedent to this exhaustive threefold classification we must, he argues, assume the principle of property, with its corollary, the right of exchange.

'Property,' he says, adopting the language of Mercier de la Rivière, one of the physiocrats, 'is a right in a person, but which changes its name according to the nature of the object to which it is applied.' Jurisprudence is the science of rights. 'Natural philosophy,' says Lord Mackenzie, 'considers things according to their physical properties; law regards them as the objects of

rights.' Economics, adds Mr. MacLeod, is the science which treats of the exchanges of rights, and the most complete and satisfactory enumeration and analysis of rights are those formulated by the Roman jurists.

With this solution of the difficult point of definition we may compare the part assigned to 'security' in the late Duke of Argyll's 'Unseen Foundations of Society.' The complaint made by the Duke, if we rightly understand his argument, is that writers on economics have not realised sufficiently the advantage of security, and have been disposed to depreciate the services rendered to the community by the principle of ownership. On this point Mr. Macleod is content to say that he is dealing with the properties recognized by the Roman law. Incidentally he may betray his opinion that this recognition of property is necessary and equitable, but in his view this has nothing to do with economics.

There remains, of course, the very important question whether any good purpose is served by considering such abstract conceptions as number and exchangeability apart from the things which are numbered and exchanged.

The convenience of arithmetic needs no vindication, and for ourselves we can only express a belief (founded, to some extent, on experience) that a consideration of the phenomenon of exchange, and the part it plays in human affairs, will throw a flood of light on the problems which perplex the politician and the social reformer. It is hardly

necessary to point out how deeply our social existence is influenced by the exchange of services, credits, and goods. The assumption, erroneously put forward by the older economists, that free exchange in such matters is an advantage so well proven as to amount in effect to a categorical imperative, may be near the truth; but in any case it is a truth which makes no claim to an *a priori* validity, but requires the verification of history and experiment at every point.

We have referred more than once to the larger speculation of M. de Molinari, who argues that mankind's preference for one course of action rather than another may be explained as the operation of exchange, *i.e.*, the abandonment of the worse and the choice of the better. The thought opens out a great vista of speculation. From a consideration of the exchangeability of things, we pass to a consideration of exchange as a means of satisfying human wants, and from this to a consideration of the relation of human wants to morality.

In an interesting passage on 'ethical limitation,' the Duke of Argyll, making what he calls a translation into the terms of the 'Utilitarian Theory of Morals,' remarks: 'The doctrines of an Independent Morality are coincident in result with the higher forms of the Utilitarian system' (p. 63). He quotes, however, with approval, and in qualification of the above statement, Mill's dictum, that 'the most criminal actions are, to a being like man, not more unnatural than most of the virtues.' In the study of economics as proposed for us by M. de Molinari, we follow the natural exchange actions

of man, without any attempt to characterize them as virtuous or criminal. Our object is simply to note and classify them. When our exposition of the facts is complete, our conscience, aided by the light thrown on the subject by the other relevant sciences, will tell us how far the system of natural experience in such matters (that is the evolutionary utilitarian system) has led to conduct in agreement with the requirements of 'independent morality.'

Our English economists of the school of Whately have not ventured to push the limits of their subject so far afield. Mr. MacLeod, it is true, at one time announced his intention of writing a treatise on 'Mixed Economics,' but we regret to learn that he has abandoned his purpose. His treatment of the application of economics to those interests of life where exchange, pure and simple, is not the dominant factor, would have given him many opportunities of showing the practical usefulness of his methods.

The very important question of taxation would have been one of the subjects to be discussed. Whately, in a curious note, remarks :—

'I had not thought it necessary to observe that, in speaking of exchanges, I did not mean to limit myself to voluntary exchanges. . . . Most exchanges, indeed, are of this character; but the case of taxation . . . constitutes a remarkable exception. . . . And it is worth remarking, that it is just so far forth as it is an exchange—so far forth as protection, whether adequate or not, is afforded in exchange for this payment—that the payment itself comes under the cognisance of this science. There is nothing else that distinguishes *taxation* from *avowed robbery*.'

Since the days of Whately, both the practice and theory of taxation have strayed widely from this ideal. Taxation is now levied on persons who appear to have the ability to pay, quite irrespective of the benefits which they derive from the expenditure of the tax, and for this very reason treatises on the so-called 'science' of public finance seem to us to have an air of unreality. Taxation, in this view, can only be brought within the cognisance of economics when it is contrasted with other methods of attaining the same object, and when some choice or power of exchange is given to the public in respect of the alternatives so presented.

Similar difficulties are raised with regard to the Public Debt. Mr. MacLeod, following his practice of accepting from jurisprudence the enumeration of different classes of legally constituted property, finds that State and municipal loans are exchangeable values, and, as such, within the scope of economics. Economics, however, offers no opinion on the equity and policy of such loans. So, too—and this, it appears to us, is a very common confusion of thought—the due performance of contract (more especially in the repayment of debts) is obviously a very essential element in determining the usefulness of exchange as a means of satisfying human desire; but economics has no opinion as to the propriety of enforcing contract by process of law. Taxation, public loans, the legal enforcement of contract, are measures of government which, if possible, according to M. de Molinari, should be subjected to the competition of alternatives, if such there be; and free choice between such alternatives



should be left to the community. Such a process might bring the institutions above named within the scope of economics, but for the rest they are matters of political expediency, and have nothing to do with economics.

Of course, the student of economics, like the artist in leather, is apt to say 'there is nothing like exchange.' It is equitable, ubiquitous, and irresistible in its work of improving the organization of human progress. It works smoothly, automatically, and cheaply. Its main object is the economy of effort; and for this purpose it mobilizes labour, and conducts it to its most remunerative market, while, at the same time, it leads to efficiency and cheapness of production. All this benefit it confers without having recourse, except in rare instances, to the coercive authority of the law. The economist therefore, looks to exchange as an expedient capable of solving many problems.

For ourselves, we believe that he has warrant for his enthusiasm; but if he would avoid reaction and regain the confidence of the public, which, to some extent, has been alienated, he must proceed warily and with more logical precision than has hitherto characterized his utterances. The mere fact that we are able to point to so many ambiguities of definitions and objects shows, we venture to think, that economists have not been altogether successful in their presentation of this fascinating science.

## CHAPTER VIII.

### MUNICIPAL SOCIALISM.

'WHATEVER IS, IS RIGHT.'—THE VIEW OF THE 'DETACHED PHILOSOPHER.'—REACTION AGAINST THE LIBERAL SCHOOL OF ECONOMICS. — THE SAFEST BASE FOR THE SOCIAL SUPERSTRUCTURE.—SOCIETY AS AN ENTITY HAS ITS OWN LAW OF GROWTH.—PROFIT A FRAUD ON THE COMMUNITY. —A NOVEL METHOD OF ACCOUNT KEEPING.—THE PURSUIT OF INVISIBLE PROFITS.—A TASK FOR COLLECTIVE FAITH-HEALING.—AN EXPLANATION OF PAST PROGRESS AND A GUARANTEE OF FUTURE ADVANCE.—A CONCRETE INSTANCE OF MUNICIPAL SOCIALISM. — INDUSTRY UPON SOCIALIST PRINCIPLES.—THE CREED OF M. JAURÈS.—THE DANGER OF DISCOURAGING PRIVATE ENTERPRISE.—EXAGGERATION OF THE EVILS OF MONOPOLY.—MUNICIPAL TRADING A GREAT EXPERIMENT IN COLLECTIVISM.

THERE are times and there are subjects in which controversy seems to have reached a stage of exhaustion. The combatants have marshalled their arguments, but agreement is more distant than ever. Decision, if there is to be decision, must be dictated by superior force; and the force which to-day is in the hands of a political majority is more crushing than any that formerly was at the disposal of arbitrary power. It is, at such times, that the policy of the minority seems like to become one of the lost causes of history. The world goes forward with the cry 'whatever is is right.' The inevitable present with which each generation has to deal

seems to be dominated by an irresistible momentum which carries all before it, till the friction which accompanies all movement sets up a reaction, and we are puzzled to know whether it will prove temporary or permanent.

The detached philosopher, viewing man and society as part of the cosmos, may see, or think he sees, some intelligible principle in the evolution of human destiny; and this principle, if such there be, must have governed the general trend of man's development in society. At the same time there are obviously long periods of action and reaction and of transfusion of energy, during which it is difficult for the passengers, if the phrase may be allowed, to forecast the duration of a prevailing sentiment, or to feel sure what the ultimate result of a current controversy will be. The only thing about which we can be certain is that there will be change.

We are living now under the influence of a great reaction from an earlier political philosophy which is variously named the Manchester school or, as we think, more adequately the Liberal school of economics, as understood in the earlier writings of Mill, when, in his essay on Liberty, he emphatically proclaimed that the basis of social well-being and progress was the competence of the individual character acquired, disciplined, and perfected in an atmosphere of personal responsibility or liberty. Mill was, in some respects, a microcosm of his age; and the later phases of his philosophy were, consciously or unconsciously, affected by the Socialist aspirations which were then only beginning to exercise an influence on modern politics, and which

now, unless we are entirely mistaken, lie at the back of the present enthusiasm for municipal trading.

Since the days of Mill, speculation as to the possibilities of human society has been profoundly modified by the general acceptance of the doctrine of evolution. The precise relation of this doctrine to practical politics is still matter of dispute; but every controversialist admits that he must reckon with it, and seeks to make his view square with what he supposes to be the revelation of the evolutionary theory. On the one hand, the earlier view of Mill has been developed and emphasized; and it has been urged that the paramount interest of social revolution still lies in the continuous development of the individual or social unit. His social and economic competence is the base on which the social superstructure most safely rests. His habits and character are plastic; they can be strengthened, directed, or even reduced by disuse to atrophy, as free social experience dictates. The rest of his environment, though by no means constant, is, relatively to him and to his power of control, more rigid and more inevitable. Attempts made by the community in its corporate capacity to alter external circumstances in a way that, incidentally, is detrimental to the competent, for the sake of the less competent, are in this view a reversal of the principle of progress, and apt to become a deliberate domestication of a parasitic and degenerate growth. Such is the conception of those who put their trust in the economic development of society.

To others the same wave of sentiment which carried Mill away from his earlier moorings has

suggested the argument that society, having itself become an entity, has a law of growth not subordinate to that of the units of which it is composed. The economic order is plainly imperfect; and society declines at times to wait on the slowly grinding processes of economic development. Society's power of domesticating uneconomic varieties of life within its own vital system has been asserted and used, as in the Poor Law, Education and Factory Acts, and with results that are hailed as more or less satisfactory. The question is then pressed: cannot we go much further in this direction?

Hitherto the complaint has been made, and with undeniable justice, that there is a divorce between popular government and scientific reasoning with regard to politics. The difficulty, nay, the impossibility, of getting the average man to shape his action with a view to results that can only come indirectly and after much delay is obvious; and it becomes greater with the widening of the bases of democratic power. Neither of the theoretical views above set out has been adopted absolutely by those who are responsible for practical legislation. At a given moment superficial circumstances seem to support the truth of one or other of these rival theories. Empirical legislation has been devised to meet temporary evils; and opportunism has been more powerful than speculative theory. This, in a subject matter where change cannot be made *per saltum*, or without initial friction, is inevitable. There are, however, signs of the rise of a new spirit. Ideas, based, some of them, on most fantastic reasoning, are playing a larger part in our politics;

and theoretical considerations are now determining policy on minor points of detail in a way contrary to what might have been expected from a purely practical and opportunist consideration of the facts. To what other cause can we attribute the determination of the majority of the London County Council to persist in running a service of steamboats on the Thames at a loss of some £53,000 per annum? Clearly the minds of those responsible are possessed by some consideration, higher than ordinarily obtains in such matters.

'Municipal trading' (says Mr. Bernard Shaw) 'seems a very simple matter of business. Yet it is conceivable by a sensible man that the political struggle over it may come nearer to a civil war than any issue raised in England since the Reform Bill of 1832.'<sup>1</sup>

Till the other day, he goes on to say, municipal trading attracted little notice, but 'the heading has lately changed in the "Times" to "Municipal Socialism"; and this, in fact, is what is really on foot among us under the name of Progressivism.' It is in avowals like this that we discover the true inwardness of the motives which are hurrying us along unexplored paths. The appeal to balance-sheets and trading-accounts is quite irrelevant and does not touch the motives which decide for and against the new proposals. At present, it is true, municipal Socialism works under forms of commercial trading and publishes more or less untrustworthy balance-sheets showing the result of what still purports to be buying and selling. This archaic

1. 'The Commonsense of Municipal Trading,' by Bernard Shaw. Constable, 1904.

pretence is kept up for the sake of the weaker brethren who are habituated to debtor and creditor accounts and all the other categories of commercial accountancy. Fundamentally, however, the moving and regulating force is not expectation of profit. It arises out of quite other considerations. It seems to its supporters to fulfil certain conditions which they have much at heart. Private trading postulates the convenience and equity of allowing profit to the successful organisers of industry. The municipal Socialist, on the contrary, regards profit as a fraud on the community, and, except when he is arguing *ad hominem*, to the stupid *bourgeois* whose fears he wishes to allay, he glories in the fact that profit is not made. Advantage, benefit, and other characteristics of the millennium are distributed broadcast; but profit is a feature which has to disappear from his Utopia. Clearly the aspirations of those whose minds are possessed by the new Evangel have led them to disregard the ordinary tests of commercial success. They invite us, in short, to learn a new industrial language and a new industrial logic.

Let us follow the working of the Socialist mind under the competent guidance of Mr. Shaw. 'We must conclude,' he says (p. 19), 'not merely that the commercial test is a misleading one, but that the desirability of municipal trading is actually in inverse ratio to its commercial profitability.' To meet this novel conception of things Mr. Shaw suggests a novel method of account-keeping. Shortly, the plan is this. We debit private enterprise with the cost of the Poor Law, workhouse, and infirmary, police, prisons, and all the other ills to

which flesh is heir; and the available dividend is of course largely reduced. Then, for purposes of comparison, we assume that these evils largely cease with the introduction of municipal Socialism, and credit the municipal trading-account accordingly. Wonderful results can be attained by this kind of political arithmetic. Mr. Shaw gives some concrete examples, *e.g.* :

'the case of a great dock company. Near the docks three institutions are sure to be found—a workhouse, an infirmary, and a police-court. . . . Into that workhouse every dock labourer can walk at any moment, and, by announcing himself as a destitute person, compel the guardians to house and feed and clothe him at the expense of the ratepayers. When he begins to tire of the monotony of "the able-bodied ward" and its futile labour, he can wait till a ship comes in; demand his discharge; do a day's work at the docks; spend the proceeds in a carouse and a debauch; and return to the workhouse next morning, again a destitute person. This is systematically done at present by numbers of men who are by no means the least intelligent or capable of their class.'

Then the other picture :—

'A municipality cannot pick the ratepayers' pocket in this fashion. . . . Consequently the municipality, on taking over the docks, would be forced to aim in the first instance at organising its work so as to provide steady permanent employment for its labourers at a living wage, even at the cost of being overstaffed on slack days, until the difficulty has been solved by new organisation and machinery, as such difficulties always are when they can no longer be shirked. Under these conditions it is quite possible that the profits made formerly by the dock company might disappear, but if a considerable part of the pauperism and crime of the neighbourhood disappeared simultaneously, the bargain would be a very profitable one indeed for the ratepayers . . . ' (p. 23).



Surely never was reformation of the carouser and the debauchee so miraculously effected !

A difficulty, however, is apprehended by Mr. Shaw, namely, that the official auditors whose appointment is recommended by the recent Commission on Municipal Trading are not likely to pass 'these invisible credits'; and 'Parliament is still disposed to apply the commercial test to communal enterprise.' 'There is, in fact, for the moment, a serious menace to municipal enterprise in the cry for commercial auditing. Fortunately the demand is not a permanently practical one.' Municipal auditing, as distinct from commercial auditing, 'will finally develop as a practically separate profession' (p. 85). If such invisible credits as the reformed carouser and debauchee are to figure largely in the assets passed by our new accountancy, no doubt a new profession is required.

The British Philistine is, we have admitted, a little bitten with the Socialist frenzy; but this new political arithmetic will occasionally appear to him somewhat topsy-turvy. He will ask, still stupidly obsessed, as Mr. Shaw would say, by irrelevant commercial ideals, what is now to replace the motive of the private undertaker, and how is the capital for industry to be provided? To this Mr. Shaw has his airy reply. Ability is a commodity which can be hired in the market; but, in a system which contemplates the abolition of the market, surely this is a hard saying. Economic production at a cost which will be well covered by the available purchasing power of the community is no longer an object. We are trading largely for the sake of invisible

profits; and in matters of invisible profit the mere able man of industry is as a child. The municipality, for instance, is owner of gasworks. Its object is not to sell gas to those who are willing to purchase it at a price which will give a profit either to shareholders or ratepayers. Its object is to give permanent employment to a happy and contented staff of gas-workers, to light the dark places of the town, to see that the poor man's house is lighted as brilliantly as that of the rich, and to take care somehow that no one, even remotely connected with the gas-works, is either a carouser or a debauchee. This is a task not for ability but for collectivist faith-healing. Its organizer, we suggest, should rather be the civic enthusiast who has some skill in the management of public meetings, and who, when his fellow-citizens want to have electric light, can urge them with glowing eloquence to rest content with the inferior light for the sake of the common property of the town, now sunk in a gas-plant, and for the sake of the staff, who otherwise would find their occupation gone if they would not consent to be cruelly over-worked in learning a new trade. This is a task for an inspired political wire-puller, not for the mere able man of industry.

It is not want of sympathy with Socialist ideals, but absolute scepticism as to the practicability of the proposed methods of achieving them, that deters the Liberal economist. He has a tempered faith in the ameliorative processes of liberty. On the whole, the free organization of industry does give advantage to diligence and trustworthiness, does

discourage and ultimately procure the correction or supersession of inefficient methods and character, while it allows us to avail ourselves of the improvements which the progress of science puts within our reach. This view promises no immediate millennium, but it explains our progress in the past, and seems to guarantee a similar advance in the future. This very phenomenon of Socialism—what is it, he asks, but a sign of a righteous but over-sensitive social morality which has grown up under the very system which it seeks to demolish? With this charter of progress, such as it is, the Liberal economist must be content. To him Mr. Shaw's idea that industry can be carried on without being subjected to the test of finance, and without the motive power arising from the expectation of profit, seems wildly fantastic, if not altogether unimaginable. The only Socialist system which has been worked out in detail is that of Marx; and this, we understand, is now generally disavowed by the Socialists themselves. Be that as it may, Mr. Shaw's sense of humour, we apprehend, has prevented him from adopting Marx's scheme of a social-labour note-currency which is at once so essential and so chimerical a feature of his creed.

To an optimism like Mr. Shaw's, which settles so easily the question of management, the matter of capital offers no difficulty. The credit of the municipality is such, he argues, that it can borrow more cheaply than the private trader. In passing, we might remark that only the larger municipal bodies can now borrow at a cheap rate; and some of them would find it difficult to borrow at all. But,

accepting Mr. Shaw's statement, we may ask why it is that capital can be borrowed cheaply by municipalities. The answer, we presume, is, because the security is good, because society acknowledges its indebtedness for all time, and guarantees the principal and interest of the debt. The indefinite extension of this system is an immense boon to the idle capitalist class, or, at all events, to the richer section of it. But the question surely remains: Is the system really cheap to the community? Let us consider a concrete instance.

The estimated capital expenditure for the London County Council's steamboat service is about £300,000. Something presumably must be added for working capital, if, as is inevitable, we still talk in the discredited language of commercial accountancy. The traffic is carried on at a loss of over £53,000 per annum. The £53,000 loss, in Mr. Shaw's audit, is compensated by invisible assets, *e.g.* the contentment, etc., of 300 polite and skilled officials who, being in municipal employment, are, we hope, as well satisfied with their wages and as free from sickness and the other inconveniences of life as Mr. Shaw's picture leads us to expect. The steamers, it is generally admitted, go too slowly and unpunctually to suit passengers on business bent; but the account must be credited with pleasant excursions enjoyed by many persons of leisure at a nominal cost. It is difficult to reduce these advantages to figures; and, pending the arrival of the new profession of municipal accountancy, we must be content with the Council's assurance that they more than balance the loss of £53,000 per annum.

To continue, however, the question of the capital involved. A steamboat service on the Thames is a very proper field for enterprise. It has been attempted by more than one set of private capitalists; for hope springs eternal in the commercial breast. They ventured at their own risk; the public had for a while its service of boats; but, as the ultimate result, most of the capital is now resting quietly, a burden to no one, figuratively speaking, at the bottom of the Thames; and no one except the capitalists concerned is a whit the worse. The capital involved in the County Council experiment, on the other hand, remains a debt owed to the well-to-do people who have taken up County Council stock. It will have to be paid, interest and principal, by the ratepayers and taxpayers of the county, and so becomes a permanent burden on the community.

Even in enterprises which are successful the permanence of the value of capital is very limited. The subject is too large to be treated exhaustively here; but a few words are necessary to the logical development of the argument. There are a few but, relatively to the whole, comparatively unimportant items in the category of wealth, which, by reason of the concentrated demand of many, seem to have a permanent and enhanced value. The case of building-land near large cities, and of one or two other things of a similar nature, has attracted great attention and seems to have obscured in men's mind the more general law to which such items are a not very important exception. The security of an investment in land is less than the absolute security

of State and municipal loans, while the rapidity, unexpectedness and extent of the growth in value of even city land is much less than what may be seen in many lucky ventures in mines, inventions, and even in such prosaic possessions as bank and insurance shares and works of art. Prospective increases of value in land have been carefully discounted; and we question very much if large profits have been of recent years, or ever will be again, gathered from the purchase of such property. This, however, is a digression, introduced only for the purpose of indicating the source of a prejudice which seems to be running high against one particular class of property—an attitude of mind which exhibits the intelligence of a certain class of politicians at its lowest and most irrational level.

Permanence and progressive increase are not general characteristics of property; and, even in those exceptional cases where it is found, no ground is thereby given for questioning the title of the owner, or (and this is our only point at present) for creating prejudice against the ownership of other forms of capital the value of which is distinctly the reverse of permanent and progressive.

With regard to agricultural land, the evanescent nature of values will be more readily admitted; and few instructed persons will be disposed to dissent from that very competent authority, Mr. Albert Pell, when he says

‘that value is due to outlay, and that some of the most splendid exhibitions of fertility and agricultural wealth are traceable not to natural circumstances, but rather to the continuous systematic applications of skill and extra-

neous capital on the soil.' ('The Making of the Land in England,' p. 18.)

In illustration of this opinion, instances are quoted, where, if the sums invested in the improvement of certain estates had been placed in Government securities, the owners would now have been deriving a larger income than they draw from the improved rents of their land, while they would, of course, have still possessed the prairie value of the soil.

In considering the duration of the life of capital in other walks of trade, we have first to remember that a very large amount of capital never makes any return at all to the investor, and that most of the investment which is productive only remains so because it is constantly renewed and refreshed by fresh doses of capital. The disadvantage of this seems to lie entirely with those who adventure the capital, viz. that class of the public which presumably is most able to bear the loss. The advantages belong to the community at large, for whose sake invention is stimulated and the improvement and supersession of antiquated services encouraged. It is not to be supposed that the same spirit of enterprise could or should characterize the work of a municipality which is risking public funds which it cannot write off as bad debts. The same principle is illustrated by the comparative impotence, uselessness, and occasionally absolute harmfulness of endowments. The permanent withdrawal of capital from the control of the living, and its committal to the sterilizing grasp of the dead hand, are often not far removed from a public misfortune. The same unavoidable danger seems to attend the

proposal to make capitalization a municipal or national function.

The first step of the municipalizing enthusiast, as we understand it, is to warn the private adventurer off those fields of enterprise which for their inception require legislatively conferred way-leaves and franchises; and it need hardly be pointed out that these constitute a very large and increasing proportion of the great industries of the civilized world. Investors who otherwise might have ventured their money in such undertakings are invited instead to take up municipal stock. The whole burden of preserving intact the evanescent value of such investment will be thrown on the rates and taxes. The old channel of relief which lay through the writing-off of the bad debts of industry will no longer be available; and public enterprise will sooner or later have to face the alternative—of seeing progress brought to a standstill by reason of the burden of indebtedness in respect of improvements of which the value has expired, and of having to decline new fields of enterprise in which the yearly increment of the population might expect to find its profitable employment; or, on the other hand, of repudiating the debt, a course logically demanded by those who regard with abhorrence the existing capitalistic order. Their attitude is quite frank: we are prepared to borrow while it suits us, they say, but we look forward with impatience to the opportunity which must inevitably come of despoiling the public creditor of property which *ex hypothesi* was ill-gotten by him or his forbears.

Our imagination, we confess, is not equal to the



task of picturing industry as carried on under the plenitude of Socialist principles. At present the services which feed, clothe, house, and convey us from place to place are animated and regulated as a vast series of exchanges. The reward of the organizers in this system, which, be it observed, they do not touch unless their calculation proves successful, is called profit; and, in the main, by their instrumentality supply is adjusted to demand. In the municipalized, nationalized, socialized industry of the future the expectation of profit is no longer to be a guide to production. The demand of the public will be gauged in some other way. Industry presumably will be governed by the principles which govern the supply of the steamboat service provided by the London County Council. Some one in the London County Council has decided that London ought to have £53,000 worth of steamboat service in excess of what Londoners are willing to buy. Some one, in the larger markets will say how much bread and cheese, how many shirts and hats the community ought to purchase. The only indication which we gather from Mr. Shaw as to the limitation of each industry is that each shall be pursued with sufficient activity to give full employment to the workers therein employed. The process seems to be this. First, we make an estimate as to the probable quantities required; then we guarantee employment for the rest of their lives to the labourers engaged. If we complain that too much industrial energy is being directed to, say, hat-making, we are breeding, *teste* Mr. Shaw, a class of auditors who will allay our

anxiety by pointing to a more than proportionate profit earned in the high contentment of the latter caste. The intentions of the London County Council with regard to its steamboat service are not fully declared; but obviously it must either go on losing the ratepayers' money at the average of £53,000 per annum, or, if it reverts to the ordinary rules of commerce, it will have to violate one of the first principles of municipal trading, as presented to us by Mr. Shaw, and get rid of a staff which is rendering a service that the public does not want.<sup>1</sup>

We have no wish to trifle with the subject, but in the absence of authoritative exposition of the working of the Socialist state we can only succeed in conjuring up conditions which to the plain man seem unthinkable. It is satisfactory to reflect that the advances which Socialism is supposed to be making at the polls must oblige its leaders to formulate the constructive side of its designs. M. Jaurès, the leader of the French Socialists, has recently attempted an exposition of his creed in the French Chamber, with the result that the French Liberals, as represented by M. Clemenceau, seem to have broken definitely with the Socialist party. It is, as we have already pointed out, the liberal school of economics which forms the logical opposition to Socialism. We do not use the word in its party-political sense, but as a proper adjective to be applied to a school of thought that accepts liberty in the fullest sense of the term as the keynote of its social and domestic policy.

1. Before this article appeared the steamboat service had been suspended.

To whatever party we belong, the problem before us is the same. In view of the natural increase of the population and of the legitimate expectation of an amelioration of their lot among the poorer class, it is absolutely necessary that our trade should be expansive; and for this reason we ought to favour an adventurous use of capital for the creation of new and the extension of old industries. Can municipal trading promise this? Our appeal is to the plain man who perhaps has been sympathetically inclined towards the aspirations of Socialism, but who, unless we entirely mistake his attitude, is not prepared to carry out the policy of 'thorough' which Mr. Shaw quite candidly puts before us. The halting policy, which is all that public opinion is prepared to sanction, discourages the bold adventuring of capital, and is, we venture to suggest, one cause of the want of employment which is threatening to become chronic. The liberal economist will argue that the expansion of industry required to meet the needs of an increasing population has come in the past, and must come in the future, from the energy of private enterprise. It is therefore for him matter of grave concern to note the discouragement under which private enterprise now labours.

We do not wish to press our logic to an extreme, or to re-open the compact which sanctioned the 'gas and water' policy with which our older municipalities were content; but we are now asked to set this tacit agreement on one side and to drive the private trader out of all industries for which Parliamentary powers are necessary; and these,

under modern conditions, include almost every enterprise of first-class importance. This last phase of municipal arrogance, inasmuch as it prevents the country from availing itself of the latest discoveries of mechanical science, is of the most far-reaching importance, inasmuch as our half-hearted acceptance of municipal responsibility does not allow the lavish and speculative experiments in capitalization which the situation requires.

Apart from the theoretical assumption made by the convinced Socialist, and by him foisted to some extent on to an uncritical public, namely, that industry can be regulated by a set of fancy balance-sheets such as those above described, we shall find in addition that the public sentiment is much influenced by what we can only call an insane jealousy of profit.

In the *open* markets of commerce, more especially in a Free Trade country, profit does not swell largely the cost of commodities. Profit is a deferred payment, only realized when the use of capital and labour and raw material has been paid for in the market. If the organizer can bring his finished commodity or service to a market where it is wanted, he will make his profit, but not otherwise. Profit is absolutely conditional on public service; and it takes by far the largest risk in industrial operations. It is kept at the lowest possible level by what is variously described as the wholesome rivalry of other tradesmen, or, as some will have it, the internecine struggle of untrammelled competition. Descriptive adjectives vary, but the fact does not seem to be disputed. The reader's satisfaction

with this economic machinery will be enhanced if, with the liberal economist, he can accept as a tenet of faith the equity and beneficence of the free market for labour. We have argued elsewhere in explanation of a fact abundantly established by statistical proof, that in the free market the price of commodities tends ever to fall, for the reason that discovery and invention enable production to keep ahead of the demand of an increasing and, on the whole, a richer population; but that, on the other hand, the price of labour has tended to rise, because labour is a mobile force, ever passing, unless hindered by human perversity, from the less to the more remunerative employments. This tendency of the wages of labour to rise can be stimulated by an intelligent acceptance of the elevating influence of the open market, and by a reasonable co-operation with its beneficent purpose.

But the stronghold of the advocate of municipal trading and the denouncer of profit is the alleged injury to the public when a service is carried on by private enterprise under a complete or partial monopoly. Monopoly of old was a usurpation granted by the Crown to an individual or a corporation, or for some plausible reason assumed by the public authority itself; and the profit which is made under such conditions is in reality a tax. It is only in comparatively modern times that monopoly has been granted for the protection and advantage of the public. Monopoly is an evil arising out of a natural limitation of supply, and is only to be mitigated by a choice of evils. To give compulsory powers, under conditions, to railways

and telegraph companies seemed preferable either to allowing them to tear up the streets at their will, or to making the public wait for the advantage of railways and telegraphy till the companies could agree with private owners. No great principle seemed at stake. Gas, water, and sewage were managed by companies or public authorities, as accident decided. Of old time the Government claimed a monopoly in letter-carrying, and later insisted on adding to it the telegraph and the telephone, which seemed formidable competitors. It allows messenger companies, but exacts from them a heavy royalty; and as yet it has made no claim to a monopoly of carrying parcels. The Government makes roads, but not railroads; it is partially responsible for harbours, but not for railway stations. No one invariable principle has been followed.

The difficulty of protecting the public in monopolized services as adequately as it is protected in other services by competition is probably not wholly superable. If, as with the Post Office, the Government constitutes itself sole contractor, it is impossible to say what we may have lost in efficiency. Letters are carried at a profit, but all other branches of post-office work are conducted at a loss; and by common consent we have the worst telephone service in the civilized world. We have not even the consolation that the postal staff is made thoroughly happy.

If next we consider the important service of railways, we shall find that the protection of the public is more effectively carried out by competition,

which was supposed to be excluded, than by the regulations of the Board of Trade, though these have been carefully and wisely contrived. To begin with, there has always been competition between one railway and another; roads and canals and sea-carriage are still available; but probably the greatest incentive to diligence in the public service has been the recognized disposition on the part of goods and people to stay where they are unless their movements are encouraged by cheap and attractive conditions of travel. If we consider the fact that there are, as a rule, alternative ways of doing what we want to do, and that much that we want to do may very well be left undone, it will appear that the evil of railway and, indeed, of all monopoly is much exaggerated. Purveyors of service for our luxuries, amusements and necessities compete more or less unconsciously one against another. If fine cognac is dear, we pretend to prefer Scotch whisky; if a holiday by railway is uncomfortable owing to overcrowding and expense, we take a steamer to Cromer or to Norway. Even if a business journey to Birmingham might seem desirable, the excessive cost of it may decide us to make shift to manage by means of letter or telegram.

Again, it may be questioned whether we have exhausted all the expedients for the protection of the consumer. It was ingeniously argued by the late Sir Edwin Chadwick, notably in an article read before the Statistical Society for January, 1859, that there are many fields of enterprise wherein free competition 'within the field' gives rise to waste and inconvenience (he particularly mentioned the

case of our London cab-service); and he suggested that a monopoly of such public services might be handed over to a contractor who had competed 'for the field' (*i.e.* for the monopoly of rendering some particular service within a given area) under an agreement, subject to periodical revision, and containing proper safeguards in the interest of the public. In his view a careful development, and even extension, of this competition 'for the field' would enable us to secure for the public the advantages of monopoly and private enterprise; and it appears to us that this is a line of experiment which has not yet been fully explored.

Competition 'for the field' is presumably the underlying principle of the right of purchase vested in the public authority in respect of tramways, electric light, and other monopolized undertakings. As a rule, however, the right has been exercised by the municipality itself, only in its own favour—a course which deprives the public of the benefit of competition, and which has many other disadvantages. If the municipality makes a profit, it is a tax on consumers. Why, it is asked, should we be charged too much for our gas or water in order that the authority may give us steamboats or other things, good for our minds and bodies perhaps, but which we do not want at the place and in the quantities that seem fit to our rulers? Or, if the municipalized service results in a loss, as is more usually the case (*e.g.* houses and steamboats), the loss falls on the ratepayers and taxpayers, most of whom in the poorest class derive no benefit from these municipalized ventures. It is not the very



poor who travel on the steamboats; and admittedly it is not the tenants evicted from slums who inhabit, at an unremunerative rent, the model dwellings which replace them.

Summing up this portion of our argument we may say that the evil of monopoly is very much exaggerated; that regulation for the protection of the consumer is possible; that a closer consideration of the different methods of introducing regulations might even warrant us in increasing the sphere of monopolized industries served by private enterprise; and lastly, that, even if regulation is evaded and a considerable profit is made, the earning of profit is a legitimate incident in industry, and that the existence of a guaranteed investment has a public and general convenience. It is frequently argued, and with some plausibility, that the existence of State and municipal debt has a great advantage as providing financial convenience to banks, insurance offices, provident societies, trustees, and persons responsible for the custody of charitable and similar funds. Stocks representing partially monopolized undertakings offer a field for the investment of such funds which is not open to the objection urged against the municipal capitalization of industry pure and simple, namely, that municipal debts exist for the advantage of the *rentier* class only, and that they withdraw capital from the risks of competition to which, in the interest of the general consumer, ordinary investment is properly liable.

We have noted the arbitrary manner in which the public authority and private enterprise under

regulation have divided the services which it has seemed necessary to regard as monopoly. Clearly, until recently, there has been very little heat in the controversy as to which method was best. It is only with the spread of the Socialist propaganda that the point becomes important; and, if the debate were confined to the old narrow area, the matter might still leave us coldly indifferent. Much larger problems, however, are now being raised; and, as illustrative of the difficulties that may arise, the question of the transmission of electrical power may be mentioned as probably the most important. There seems to be very little doubt that, during the century on which we are just entering, electricity is going to supersede steam in many important industries. To claim a monopoly in this new discovery of force is to touch a vital spot in the life of an industrial nation. The position is comparatively simple.

The economical creation and distribution of electrical power can only be carried out on a grand scale; and for the inception of such enterprise Parliamentary powers are needed. The areas of municipalities are admittedly too small to satisfy this condition. Local Government divisions generally have arbitrary boundaries, and do not lend themselves to the advantageous grouping of power-areas. The supply of electrical energy to the mechanical industries of this country is an undertaking of unprecedented magnitude. Not only, it is suggested, can the present uses of steam and gas be largely superseded by the new force, but industries and uses altogether new and unimagined are waiting to be called into existence. Large fortunes will be

made, and large fortunes will be lost, in experiments. If we are to feed and find employment for the increasing millions of this country, and to hold our place in the van of nations, we have need here of a lavish and reckless expenditure of money by the captains of industry.

It is painful, therefore, to be forced to the conclusion that this movement is being strangled in its infancy by the miserable jealousy and self-sufficiency of the municipal monopolist. Municipalities, unabashed by the revelations of municipal incompetence at Poplar and West Ham, are asking that they shall be made the monopolists of a force on which the whole future of British industry probably depends. The impotence of the larger authority, the County Council, for such a task is hardly less marked. The leading spendthrifts of Poplar are influential members of the London County Council. They have overborne the opinion of competent financiers like Lord Welby, the chairman of their own Finance Committee, and are determined to obtain a monopoly for the supply of electrical energy. Hitherto this dire calamity, which would probably condemn London to gradual but certain industrial decay, has been averted; but, with one or two exceptions, notably at Newcastle, the agitation has succeeded in its dog-in-the-manger policy of defeating all applications from private companies for leave to speculate in this vast field of industry. Meantime we are being overtaken and relegated to an inferior rank among industrial nations by countries which have found means to evade the rapacity and stupidity of these obstructive tactics. It is not now a question of protecting the

helpless consumer; that disguise will no longer serve; the managers of the industrial enterprise of this country do not ask to be protected from the monopoly of private adventurers, but from the incompetence and inadequacy of municipal management.

We have followed the example of Mr. Shaw and have discussed the question in its larger aspects. We agree that reference to figures is probably irrelevant when addressed to those who are forcing on this movement. The strength of the party of municipal monopoly is pure fanaticism. Its adherents repudiate accountancy and rely on arguments which hardly seem to touch the ground of common-sense. The reader who desires a more detailed consideration will find a most dispassionate discussion of the merits and demerits of each argument in 'Municipal Trade,' by Major Leonard Darwin.<sup>1</sup> Like Mr. Shaw, he recognizes that the appeal to balance-sheets is futile. He suppresses, however, any inclination he may feel to decide the question by reference to a general principle, and considers each allegation on its merits. This procedure will be found most useful for those who are disposed to regard the subject as an open question; but, as we have argued, the whole controversy is overshadowed by the larger issue of whether we are prepared to make a great experiment in collectivism. If we are not prepared for this, municipal trading stands condemned; it can only be logically acceptable to those who regard it as a starting-point for a far-reaching economic revolution which they earnestly desire.

1. John Murray, 1903.

## CHAPTER IX.

### THE REFORM OF THE POOR LAW.

THE REPORT OF THE ROYAL COMMISSION AND THE MINORITY REPORT.—THE BREAK UP OF THE POOR LAW.—THE POOR LAW OF 1834 : ITS CONCEPTION AND ITS ADMINISTRATION.—THE PRINCIPLE OF LESS ELIGIBILITY.—THE REDUCTION OF PAUPERISM TO A NEGLIGIBLE QUANTITY.—THE MAIN PURPOSE OF A POOR LAW. — RESULT OF ATTEMPTS TO ORGANIZE LABOUR BY THE POOR LAW.—COMMITTEES OF PUBLIC ASSISTANCE.—THE DIFFICULTY OF ALL SYSTEMS OF PUBLIC RELIEF.—MEMORANDA BY SIR A. DOWNES AND MISS OCTAVIA HILL.—THE ISSUE BETWEEN MAJORITY AND MINORITY REPORTS. — A SYSTEM UNDER WHICH THERE WILL BE NO PAUPERS, EXCEPT IN THE SENSE THAT ALL WILL BE PAUPERS. — MAINTENANCE UNDER TRAINING.—IMMUNITY FROM THE EVILS OF LIFE MAY BE PURCHASED TOO DEARLY.—INSURANCE AGAINST INVALIDITY AND UNEMPLOYMENT. — THE MOBILITY OF LABOUR.— CRITICISM OF ARTIFICIAL RELIEF WORKS AND OF THE UNEMPLOYED WORKMEN ACT, 1905.

THE Report of the Royal Commission on the Poor Laws has now been in the hands of the public for some weeks. As our readers are probably by this time aware, there is a Majority Report of some 670 folio pages. This is followed by several qualifying memoranda from members of the Commission who sign the Majority Report. Of these the most important is that of Dr. (now Sir Arthur H.) Downes,<sup>1</sup>

1. Issued as a pamphlet by Messrs. King and Son.

Senior Medical Inspector for Poor Law purposes to the Local Government Board for England. This document, unless we are mistaken, is destined to play a very important part in guiding public opinion on the subject.

The interest of this bulky volume is still further increased by the inclusion of a separate or Minority Report, of over 500 pages, signed by the Rev. H. Russell Wakefield, Mr. George Lansbury, Mr. Chandler, and Mrs. Sidney Webb. Mrs. Webb, who, it is understood, is mainly responsible for this Report, is a convinced member of the Socialist party, and, happily for the enlightenment of the public, has a more logical view than the empirical party politician of the goal to which her arguments necessarily lead. Liberalism, if logic and etymology have any meaning, is the antithesis to Socialism. A joining of issues, therefore, such as we perceive in this series of Reports, tending to bring out the irreconcilable divergence of these two opinions, is to be welcomed in the interest of intelligible controversy.

This article is a criticism, not a summary, of the Reports. We content ourselves, therefore, with noticing very briefly the salient features of the two Reports, and the principal points on which they disagree. A condensed list of the 'principal' recommendations runs to forty-four pages in the original folio. We only attempt therefore to give the leading characteristics.

Both Reports criticise severely the present system. The Majority Report condemns especially the tendency which has arisen of late years to entrust

the duty of giving public relief to bodies other than the Poor Law Authority, as, for instance, the relief of children by the Education Authority, and the relief of the unemployed by the borough councils and the authorities set up by the Unemployed Workmen Act, 1905. It accepts the continuance of the Poor Law as a necessity, and urges that its administration should be in the hands of one authority. It recommends the enlargement of the area from the union to the county, and thinks that this would facilitate a classification of different types of paupers in separate establishments. It regards direct election as an unsuitable device for obtaining the experienced administration which is required. It recommends that the new authority should be a statutory committee of the County Council (with an obligation to add to its number), to be called the Public Assistance Authority. Local committees, to be called Public Assistance Committees, are to be appointed by it for local administration. Provision is to be made for obtaining on these committees the co-operation of voluntary agencies in the work of public relief. This is one of the principal innovations suggested by the Report. It also favours an experiment in the establishment of labour exchanges, and advocates the granting to the new authority of larger powers of detention in labour colonies, together with many other minor but yet important alterations of the law.

The Minority Report, on the other hand, desires to break up the Poor Law and to extend the policy of letting other public departments administer relief in the way specially condemned by the majority.

The existing authority is to disappear. The Education Authority will take over its duties as regards children; the public Health Authority will deal with medical relief; a special authority will provide for the aged; and a Ministry of Labour is to be appointed, which, *inter alia*, will deal with the able-bodied applicant for relief. Generally, it may be said, the Minority Report proclaims the responsibility of the public authority for all the vicissitudes of life. The recovery, from the applicant, of the cost of this facile system of relief which is practically pressed on the acceptance of the poor, is so slightly and so inadequately handled that it is impossible not to feel that the authors of the Report attach little or no importance to this aspect of the question. They also propose labour exchanges, through which, for certain scheduled trades, it should be compulsory on employer and employed to arrange their contract for hiring. Those for whom the labour exchanges are unable to find employment are to have 'honourable maintenance under training'; and, though the artificial making of employment for the unemployed is condemned, the Minority propose that a sum of forty millions shall be spent within the next ten years in stimulating the demand for labour at the 'lean' seasons of trade.

The wholesome condemnation of the present administration, which is to be found in both Reports, will cause considerable heart-burning; and, if it were worth while, it would be easy to show that insufficient credit has been given for much good work which, in spite of a very defective system, has been done in many parts of the country.



There is in the mind of the public some confusion of ideas. The Poor Law, as conceived by the authors of the Report of 1834, and the administration of the law, are two totally different things. It is of course difficult, if not impossible, to embody a principle in an Act of Parliament. The Legislature in 1834, adopting the recommendations of the Commissioners, hoped that the executives appointed by the Act would give adequate relief, and at the same time so order their procedure that poor men would not, except in the last resort, abandon their efforts to remain independent by reason of the attraction of a Poor Law maintenance. This, in popular language, is the much quoted principle that Poor Law relief should be, or appear to be, 'less eligible' than independence.

The mistake made in the legislation of 1834 was that no sufficient guarantee was taken that this principle would be observed by the new executives. A great part of the Report of 1834 is taken up with a condemnation of the various authorities which up to that date had administered the law; and now, after the event, we can easily see that it was a mistake to entrust the administration of the new law to the same class of persons under only slightly altered conditions. Exactly what might have been expected has happened. The new executives, with few exceptions, had no knowledge or experience in social therapeutics; and there was no sufficient means of enforcing the policy of the central control on the local authorities. The old abuses therefore, which are very natural to the normal man, crept in again. The condemnation of our present adminis-

tration, so emphatically pronounced by the Majority Report, is not, therefore, levelled against the principles, of 1834, but against the insufficiency and inability of the machinery then set up to carry these principles into effect.

It is extremely important that we should keep this distinction in view. It may be remembered that in 1834 there were certain theorists, whose views were set out on a celebrated occasion by Lord Brougham, prepared to argue against all Poor Laws. The Commissioners never took this view. Justifying their opinion by reference to experiments that had been made, they pointed out that a Poor Law could be safeguarded to a large extent by the introduction of a proper test of destitution; and, as a practical definition of destitution, they laid it down that a man is destitute when he is ready to exchange the maintenance which he derives from his own resources for one which is offered to him by the Poor Law authorities in one of their institutions. There was however, in theory, no special virtue in the institutional buildings. There is a passage in the Report, to which the late Sir E. Chadwick was fond of referring, in which praise is given to the Rev. Thomas Whateley for his success in depauperizing his parish, not by means of an institutional building, but by carefully superintending and enforcing the parish work provided for able-bodied paupers. This close personal supervision was not a possible solution in the larger areas, which, for other reasons, the Commissioners were recommending; and they relied more on the automatic institutional test.

There is some sort of suggestion in the Report now before us that the new administration, aided by the co-ordinated voluntary agencies, might take some experimental return to the practice of the Rev. Thomas Whateley. We have no objection to such an experiment, provided that its conduct is entrusted to persons who recognize the necessity of making the dependent maintenance less eligible than independence, and who, when they cannot secure this, will be ready to acknowledge failure and to abandon the attempt. It is because we regard experiment as valuable that we insist on the necessity of qualified and trained administration, pledged to definite principles, and therefore fit to be entrusted with discretion to vary the tactics for arriving at a definitely conceived goal. We are therefore entirely in agreement with the desire of the Commissioners to secure the services of a more enlightened executive for local Poor Law administration.

Their definite proposals on this head we accept with some reserve. We are glad to note that Dr. Downes 'especially supports the proposed association of each committee with a chief and expert officer charged with very responsible duties.' The policy, it seems to us, should be taken from headquarters, and should be communicated to the localities by this 'chief and expert officer.' The motive of it all may be summed up in the word depauperization. Such an arrangement seems to us to follow logically on the recommendations of the Report of 1834, and to bring, all too tardily, a correction of an error then made.

It may, unfortunately, be now too late. As will be seen by reference to the Minority Report, there are persons among us who would not be satisfied with a successful policy of depauperization, and who have larger ulterior designs on the economic framework of society. The Socialists wish to abolish the Poor Law, not for the reasons that seemed convincing to the old Radicals of 1834, but because, in accordance with their principles, they must seize every occasion for advocating State regulation and responsibility in every department of life. Gratuitous maintenance and education of children, gratuitous maintenance of the sick and the aged, and the State organization of work for the unemployed, if such a condition of things could be permanently practicable, would certainly render a Poor Law unnecessary. We are grateful therefore to Mrs. Webb and her coadjutors for stating this alternative, and for allowing us to understand that it is the attractiveness of this picture which makes her and her friends feel cold towards the alternative policy of depauperization. For ourselves, we regard Mrs. Webb's proposals as visionary and irrelevant to the practical reference submitted to the Commission.

This justification of a Poor-Law administered, under proper safeguards, for the purpose of depauperization is recommended to us by the high authority of the Commission of 1834, and is confirmed by the weighty verdict of the majority of the Commission of 1909. What this majority condemns is the disregard of proper safeguards, and the indifference to the cause of depauperization,

which of late years have been characteristic of the administration of the law.

It is only reasonable to assume that the Act of 1834 was not likely to succeed if it was not administered in the spirit intended by its authors. The Local Government Board and some few unions throughout the country understood and, so far as possible, adhered to and extended the principles laid down in 1834; but for the most part these principles have been entirely ignored. Notwithstanding these untoward circumstances, results not altogether unfavourable have been achieved. A table of statistics and curves, showing the rise and fall of pauperism over long periods, would prove an effective protest against the sweeping verdict of the Commission. In unions like Whitechapel and St. George-in-the-East we find that pauperism has been brought down to an irreducible minimum by a policy which, if pursued elsewhere, would long ere now have rendered the problem of pauperism a negligible quantity. Instead of that we find throughout the country a policy adopted of which Poplar is an extreme example. The guardians in such places abandon all thought of depauperization, and set themselves to canvass for applicants by every means in their power. The law has not been broken down, but the power of the executives to ignore the principles on which the law ought to be administered has turned it into an engine of social devastation. In any future reconstruction it is to be hoped that the executive, be it stipendiary, nominated, or elected, will be in sympathy with the main purpose of the law which it is called on to

administer. The main purpose, we need have no hesitation in affirming, should be the depauperization of the people, in other words, their restoration to independence. This alone can be accepted as a true and final remedial measure.

Subject to these remarks, we do not think that any well-informed person will, in general, deny the justice of the condemnation of existing methods. Indeed, with regard to London, the verdict has been proved up to the hilt by the strict process of legal evidence required in our criminal courts. The serious part of the miscarriage of administration in the incriminated East End unions was not, in our opinion, the defalcations with regard to public money, but the way in which a lavish and so-called popular distribution of relief was used as a cloak for dishonesty and speculation.

Assuming, then, that the condemnation of the existing system is just in the main, we have to consider what are the remedies proposed by the several reports. The Majority Report, as already hinted, is an extremely ambitious document. This is as it should be, for in such matters reformers are wise to set out their demands on a most ample scale; it is certain they will only get a part of what they ask. The memoranda furnished by Dr. Downes and by Miss Octavia Hill are useful reminders that, to two of the most practical minds on the Commission, vast and important reforms could be effected without the revolutionary change of area and authorities which is recommended in the Report.

The whole difficulty of the matter is one of administration. There is very little wrong, we

believe, with the present law, if we could secure enlightened administration. There is nothing to prevent the present authorities adopting the whole, or very nearly the whole, of the reforms now recommended. Further, there are endless combinations conceivable for the reconstruction of the local executive authorities which would work perfectly well if only a definite policy could be adopted, and sufficient guarantees taken that these authorities would work towards that policy. The main thing is to ensure intelligent management of the resources that are at the country's disposal for the relief of the poor; and for this purpose some clear conception of the goal at which we are aiming is absolutely necessary.

Now the object of the Majority Report is so to reform our administration of public relief that it shall be possible to relieve the necessitous or destitute and, at the same time, to do as little as possible to destroy the sense of personal and family responsibility on which in the main they consider the welfare of society to rest. The two things are obviously not easy to combine; but we think it may fairly be said that the Majority Report confirms the old dictum that the only justification for the existence of a Poor Law is that it recognizes as its main duty the necessity of rendering itself unnecessary. The older writers argued that the powers of legal relief were of necessity negative—that it could not deal constructively with industrial derelicts. It could relieve them, but, although the Elizabethan law ordered that impossible task, it could never succeed in establishing industry. The constructive

element in absorbing labour into industrial society lies with individual initiative. Attempts to organize labour by the Poor Law have always been disastrous. They have tended to congest where they ought to have dispersed population; and it is worthy of note that advocates of the State organization of labour, as in the Minority Report, admit the impossibility of laying this duty on the Poor Law. They therefore urge the breaking up of the Poor Law and the organization of labour by some authority which, though it deals with the relief of the poor, shall in some mysterious way not be a Poor Law authority. This is an important admission and puts before us clearly enough, if we care to note it, the gulf that lies between society as at present constituted, and that Utopian world to which the Minority Report seeks to draw us.

That this admission of the impotence of the Poor Law to be industrially a constructive and restorative force should be regarded with impatience by those who, wishing otherwise, do not understand the ground on which it is based, is very natural. The older Poor-Law economists, however, frequently pointed out that at the side of legal relief there was another line of defence in the efforts and institutions of private charity. No wiser words were ever written on the subject than those of the Commissioners of 1834 :

‘The bane of all pauper legislation has been the legislating for extreme cases. Every exception, every violation, of the general rule to meet a real case of unusual hardship lets in a whole class of fraudulent cases, by which that rule must in time be destroyed. Where cases of real



hardship occur, the remedy must be applied by individual charity, a virtue for which no system of compulsory relief can be or ought to be a substitute.'

The Commissioners of 1909, in view of the popular dissatisfaction with the failure of the Poor Law to undertake restorative and constructive work, propose an amalgamation or co-operation of voluntary and legal agencies for the relief of distress, and hope that in this way the restorative and constructive element, so much desired, can be rendered more effective in our system of public relief. It would be churlish to refuse them the satisfaction of getting rid of unpopular bodies such as guardians and charity organization societies, and resuscitating them under the name of Committee of Public Assistance. It is, we admit, occasionally useful to say, 'Let bygones be bygones; to-morrow is a new day'; and most earnestly we desire to recommend all whom it may concern to respond to this appeal for co-operation, which is really a central idea of the Commissioners' Report. We must not forget, however, that economic cause and effect, if such thing there be—and the most cynical and sceptical of politicians must surely admit that there is—do not take cognizance of mere nomenclature, and that a change of names will not alter the stubborn realities of the situation.

The proposal, then, is to start afresh, and for that purpose to marshal in double array the various agencies which have funds at their disposal from legal, endowed, or voluntary sources for the relief of distress. This appears to us to be the merest common-sense; and the only danger that we see in

the proposal is one which we do not think insuperable. Little would be gained if the action of the associated voluntary agencies became so stereotyped and inelastic that it did not differ at all from the action of a body dispensing a fund derived from rates or taxes. Still the danger is there. An alliance between Poor Law and Charity, which puts on the rates a responsibility otherwise borne by voluntary agencies, would inevitably result (as witness the Unemployed Workmen Act, 1905) in drying up the charitable and voluntary source of supply.

We must, however, to make this clear, endeavour to set out more fully the benefit which it is expected will be gained from the co-operation of voluntary and legal agencies of relief. The main difficulty of all public relief administration is that, while our humanity prompts us to provide relief on terms that are facile and ample, such action inevitably tends to aggregate a dependent population; where the carcase is, there are the vultures gathered together. It is a policy that tends to foster those imperfections of character which it should be the aim of the social reformer to eradicate. We need not labour the point; it is self-evident and admitted by every serious student of the question. Now it is the experience of those who are best in a position to know, that voluntary funds have much less influence on the imagination and action of the poor than a legal provision. It is highly desirable, therefore, that some portion of the field of public relief should be covered by a system which has in it this prophylactic and antiseptic property. The Commissioners

wisely do not go much into detail; but, as we understand it, an application for relief will somehow be brought to the cognizance of both the legal and the voluntary agency. If possible, it will be dealt with by a voluntary agency which can bring to bear more elastic methods of treatment and, what is also of first importance, some element of personal sympathy and care. Only in the last resort, if the application requires institutional and permanent treatment, will the responsibility be relegated to the law. The intelligent application of the vast resources at the country's disposal to a policy animated by a sincere and scientific philanthropy is undoubtedly most attractive. It presents of course many difficulties; but we trust that the task will be undertaken in a patriotic spirit, and that it will not be marred by sectional jealousies and obstinacy.

We shall be wise at this stage not to insist on details, but only on the necessity of a common purpose. We believe (and we may be allowed to say that our assertion is based on some personal experience) that, in seeking a plan of common action, it will be best to depend on a clear and intelligible division of labour rather than on a plan of co-operation which involves negotiation and exchange of views on each individual application. We believe that it might be practicable to refer the whole of the domiciliary relief of the poor to the voluntary agencies, and to leave the institutional relief in the hand of the legal authority, with such mutual interchange of assistance from the great voluntary hospitals as might be arranged. This,

our experience teaches us, is the surest way to avoid friction and misunderstanding.

With this very ambitious scheme we should compare the reservations made by Dr. Downes and Miss Hill. As both these Commissioners have signed the Majority Report, their criticism is not to be interpreted as hostile to its main purpose; but it is to be read as a *caveat* to warn us that the machinery proposed may be found impracticable, and also as an encouragement to the belief that the prescribed machinery is not necessarily essential, and that some approach towards the policy indicated in the Majority Report may be made by a simpler method.

Dr. Downes (p. 674) expresses some apprehension that the elaborate and far-reaching changes advocated by the majority may 'appear to be but a half-way step to the multiplication of relief authorities advocated by the minority, and to the very end which the whole argument of the Majority Report condemns.' This criticism applies, not, as we understand it, to the proposal for co-ordinating the services of charitable associations, but to the proposal for a large alteration of areas and for a re-casting of our already elaborate classification of the pauper population in separate Poor Law buildings—a return, in fact, to a policy entered on, but subsequently abandoned, by the public authority in the early years of the new Poor Law.

'We are disposed to agree with Dr. Downes, and to think that the majority have attached too much importance to what after all is a mere administrative detail, namely, whether a further segregation of the

pauper population in special buildings and under special authorities is desirable or not. The attitude of the Commissioners has led to a misapprehension on the part of the public which they will regret. There is an impression abroad that the net result of the various Reports is a demand for the breaking up of the Poor Law. If we have any regard to the ordinary interpretation of words, there is no sort of justification for the idea. The whole point of the Majority Report is that we require a Poor Law, and that this Poor Law must continue in the hands of one authority. They are not prepared to see society abandon the struggle for self-maintenance, the principle on which 97 out of every 100 members of the population depend, and to make the principle of the dependent 3 per cent. become the rule of the whole. We do not require half a dozen authorities for the management of this dependent fringe of the population. We want one competent authority, using the means at its disposal in a reasonable manner; and it matters little whether it is a Poor Law Board or a Committee of Public Assistance. The Majority Report gives no countenance to the idea that, by a mere shuffle of names, areas, and authorities, the dependents of society will cease to be dependents, or that the law which provides for their maintenance can economically be other than a Poor Law.

Here the issue is most clearly joined with the Minority Report. Our first observation on this document is on its irrelevancy both to the reference of the Commission and to the state of society in which we move. We say this in no offensive sense,

nor do we think that its authors will feel concerned to deny the accuracy of our description. It is a deliberate attempt to ignore the fact that society is still based on the presumption that a personal responsibility rests on each individual member of society for the maintenance of himself and his family. The signatories to the Minority Report proclaim, on the contrary, that the responsibility, for each and for all, rests on the community. One branch of the public service must attend to the education and maintenance of our children; another department must take care of sanitation and public health; there is, further, the pension authority for the care of the aged; and, if there are persons out of work, this must be made to cease by the State undertaking the organization of labour. There is consequently no Poor Law—or, as we might be inclined to put it, inasmuch as all law is Poor Law, there is no sense in calling one fraction of it by that specific name—and consequently there are no paupers, except in the sense that we shall all be paupers, managed and regulated by some branch of the public authority. This, we apprehend, is the boldest step forward yet taken by the managers of the Fabian Society. Hitherto—and this Report is still in detailed parts characterized by these tactics—the Fabian policy has been to propose small and apparently innocuous changes in the law, all of them, however, leading to the larger policy of which this Report gives us a more definite indication than anything hitherto issued to the general public.

It is no answer to the question referred to the Commission to postulate that, since personal

responsibility is abolished, the Poor Law may be abolished too; and that we have reached a state of public opinion when it is practicable to ask the State to be responsible for the feeding and education of all children, for the gratuitous treatment of the sick (the provision for charge and recovery would, under the conditions, be quite futile, and is obviously introduced merely for tactical purposes), for the maintenance of the aged and infirm, and for the provision of work for all comers. Nothing, perhaps, is more extraordinary in the whole of these Reports than the easy complacency with which the attempts hitherto made to provide work and wages are condemned, and the light-heartedness with which it is here proposed to replace them with Maintenance under Training, and similar expedients. It seems to us an insult to the intelligence of the signatories of the Minority Report to suppose that they believe that their indictment of 'relief work for the unemployed' as a 'counsel of despair' does not apply equally to Maintenance under Training. It seems more courteous to suppose that they regard it as an experiment in the methods of Mrs. Partington, which they are prepared to try for the sake of the weaker brethren, until, in the bankrupt confusion of our present system to which this policy would necessarily lead, a distracted public would welcome with acclamation the esoteric doctrine to which their hopes look forward—the complete organization of labour and industry by the State. All this is very interesting, as showing the views of certain theorists who have been allowed gradually to influence our public policy in a direction little suspected by the

majority whom they lead; but, as the country has not granted the postulate, we fail to see how it can be the least helpful to his Majesty's Government.

It is impossible in one article to touch on all the details of this bulky, but withal most interesting volume. It picks up threads of controversy which were started and left unsettled by Bentham, and takes us to the edge of the chasm which divides us from the Socialist State. We select one or two points somewhat arbitrarily as illustrative of the bed-rock principles which are at hazard through the various proposals here discussed.

It was one of the favourite maxims of the Benthamite philosophy that the democracy is under no obligation to mismanage its own technical business. On the contrary, it is entitled to secure expert management by properly qualified persons for the more difficult branches of the public service. In the hands of Chadwick this idea was carried very far; and he made numerous calculations, all tending to show that the country would derive great benefit from an application of scientific principles to sanitation and medical relief. One of his mottoes with regard to the pauper population was 'Aggregate in order to Segregate.' It is a strange misconception to identify Chadwick and Bentham (so far as in this matter he was correctly represented by Chadwick) with the doctrine of *laissez-faire*. They really represent English common-sense. When the Government is definitely charged with a public service, it is its duty to adopt the best means; and the proposal now made by the



majority to get rid of empirical management by unqualified Poor Law authorities is a return to the position ineffectually advocated by Chadwick in 1832-4.

The problem, however, is not entirely solved. Herbert Spencer has epigrammatically put the difficulty. 'When the State builds with one hand, it must unbuild with the other.' Taxation is notoriously a costly and inefficient way of spending money; and the shifting of responsibility from the individual to the State is a relaxation of economic discipline that has a wide 'unbuilding' effect.

It is a point not yet solved, and only very rarely discussed, whether we may not purchase benefits such as facile conditions of relief, or immunity from, and highly scientific treatment in disease, too dearly if, in the course of achieving them, we sacrifice the economic competence of the individual citizen; for this last is the condition of social welfare on which the permanence and progress of social amelioration almost exclusively depends. We must not, in the rearrangements of our Poor Law system, overlook this fact. We are glad therefore to notice that, in their marshalling of the army of public assistance, the Commissioners desire to have the aid of the friendly societies, and to inaugurate a practical scheme of provident medical associations.

Again, the Majority Report somewhat tentatively suggests that the Government might organize a system of insurance for invalidity and unemployment on a contributory basis. The suggestion that the scheme should be on a contributory basis is, we presume, a mark of homage to the principle of

independence. We naturally sympathize; but the situation is by no means simple. By common consent, after the Report of Lord Rothschild's Committee, it was admitted that contributory pension schemes for old age, if they were to include the lapsed classes, were in this country unworkable. Do the objections apply with equal force to pensions for invalidity and unemployment?

In the first place, contributions could not be extracted from the worse-paid wage-earners. The scheme, therefore, if it is to be universal, would have to be gratuitous for a large section of the population; and the exception would inevitably spread. Further, the ground is already covered in part by the Employers' Liability legislation, and by the Old Age Pensions Act, which in all probability will be widely extended. The benefits of these Acts are given gratuitously; and there would be some difficulty in introducing a contributory scheme in competition with them. The situation is a strange one. The conclusive arguments set out by Lord Rothschild's Committee against contributory pension scheme induced Mr. Chaplin, from his place at the Local Government Board, to order a larger distribution of out-door relief to the aged, and led the present Government to effect the same end by a gratuitous issue of old-age pensions. To every one but the distinguished statesmen concerned the arguments against facile out-door relief and gratuitous pensions appear much stronger than those against contributory pensions; but this is the way in which the affairs of the nation are now managed. Politicians are now showing alarm at

the cost of these universal gratuities; and there seems some disposition to retreat to the contributory system. This might, if not compulsory, be less costly, because it would largely remain a dead letter; but, if compulsory, it would certainly have to be gratuitous in respect of the lower and badly-paid grades of labour, so that it is questionable whether much economy would be effected.

The signatories of the Minority Report do not favour the idea of a compulsory and contributory insurance; and, except under the form of a subvention to such Trade Unions as give a benefit to members out of work, they appear to be opposed to the expedient of insurance. They prefer, as we understand it, to deal with the 'invalid' and the unemployed by the various forms of gratuitous treatment which they propose to substitute for the Poor Law, and by the State organization of the labour market. We do not venture, in the space at our disposal, to express any opinion on the subject; but the difficulty is illustrative of the inconvenience caused by the action of the Government in passing legislation on the subject of old-age pensions without waiting for the Report of the Commission.

One other matter we propose to notice. This is the recognition which the Report contains of the necessity of preserving and quickening the mobility of labour. The ability of labour to migrate and, what is even more important, to develop new aptitudes for service, is the key of the situation. The ceaseless ingenuity and the insatiable wants of mankind are together a sufficient guarantee that employment will always be changeable, and the

demand for it unlimited. What is required therefore is an exchange or market to pass it into currency. The proposal is accordingly made that labour exchanges shall be set up with a view to drafting labour to the place in the market where its application will be profitable. We have argued elsewhere that the ascent of labour, and of the reward of labour, depends on its sensitive response to the guidance of the market. A man has a right to take his services for sale to the best market, and to take them away from the worst market, undeterred by such impediments as Poor Law settlement (a grievous hindrance in the past) and Trade Union monopoly (a modern infringement of liberty hardly less disastrous). If this movement and adaptation are not allowed, stagnation results; and labour loses touch with the warning and encouragement which low and high prices for services convey to the intelligent man who wishes to present his labour at the right place and of the right quality.

This fact seems to be recognized in the attention that is paid to the question of the mobility of labour, and to the need of quickened distribution of labour by the principle of exchange. While we welcome the proposal for a State establishment of labour exchanges as the homage which State regulation pays to private initiative, can we be sure that a State labour exchange will really serve the purpose, as its authors believe? The success of labour exchanges must largely depend on these offices gaining a reputation for providing good workers for the enquiring employer. In other words, if

they are confined to being distributors of derelict and incompetent workers, their usefulness will be very problematical; and both Mr. Beveridge<sup>1</sup> and the Minority Report favour some measure of compulsion, obliging employers to engage their labourers through these exchanges, and requiring the labourers also to remove their names when they have found employment. Now it seems to us, viewing the vast range of our industry and the millions of contracts for the sale and purchase of labour, to be the wildest optimism to expect that any large proportion of this volume of contracts can be forced through the narrow channel of an artificially established labour exchange. Such a proposal appears to ignore the fact that the existing machinery for the exchange of labour for wages is already ubiquitous, impalpable, and all-pervading; and that to advocate the subjection of this universal market to the red-tape of registration and cancellation is a stupendous and absurdly sanguine proposal. When, as in the Minority Report, we find it argued that exchange shall be made in the labour exchange only, and under the further regulation of a Minimum Wages Board, we contend that the proposal is not one for exchange, but for an enforced organization of labour on lines which commend themselves to an authority other than that of the consent of the parties principally interested.

Mr. Beveridge is emphatic on the point that the labour exchanges are not to be part of our Poor Law machinery; and that registration there is not to

1. 'Unemployment—a Problem of Industry,' by W. H. Beveridge. Longmans, 1909.

confer any right to work, or any obligation on the public authority to start municipal or other forms of relief work. Happily, throughout these Reports there is an uncompromising condemnation of artificial relief works and of the recent Unemployed Workmen Act (1905). This is an immense step forward; and, if this condemnation can be got into the mind of the public, the Royal Commission will not have sat in vain. We remember, however, how the machinery invented by the Commissioners of 1834 was rendered futile when entrusted to the hands of unqualified practitioners, and we see some danger that these labour exchanges may be used, not as distributors of labour under economic influences, but as instruments for the congestion of labour, which has been beguiled into thinking that employment can be found for it without movement and without adaptation. This would certainly result if, at the back of registration, there were set up a right to have convenient work found at the spot and of the kind that the unemployed workmen in the first instance desired. While, therefore, we welcome the admission that a quickened exchange of labour is the most necessary requirement for reform, we are doubtful whether a Government labour exchange is likely to preserve this character for long.

Of course the best opportunity for the right distribution of labour occurs when young people are leaving school. It is worthy of note, therefore, that our present school system comes in for some blame from the Commissioners, on the ground that it is useless from the point of view of enabling boys and girls to earn their living. This indictment is

interesting and suggestive, coming as it does after nearly forty years of State education. If we add to this the condemnation levelled at municipal relief works, and at the Unemployed Workmen Act (1905), we might, if we did not know that this is the way of the world, express some surprise over the enthusiasm with which Government labour exchanges are now pressed on our attention. For ourselves, though we have no wish to oppose a possibly innocuous experiment which starts from the detection and exposure of older failures, we are extremely sceptical as to the benefits to be derived. We trust much more confidently to the growing recognition of the beneficence of a free market, which, if released from artificial obstacles, has a power of organization that, compared with the labour exchange office, is as the sun to a farthing rush-light.

The recommendations of the Report are, as we have said, very far-reaching and ambitious. It is not likely that any Government will undertake such wholesale change in one measure. We suggest that it might be wise to proceed experimentally, and to deal first with London. The administration of the law in London has been thoroughly discredited; and there would be less opposition to change there than in the country districts. The evidence, moreover, is clear that it is especially in London and the large boroughs that the law has got out of management.

In conclusion, we must earnestly appeal to our more responsible political leaders to use their

influence with their followers to keep the subject apart from what Bentham used to call 'electioneering and bubbles.' The country has been extremely fortunate in having a strong and courageous man at the head of the Local Government Board. The task of legislating for London could not be entrusted to better hands. It was pointed out by Sir R. Peel, in the debates on the renewal of the Commissioners' authority, that legislation which had for its object the strict administration of funds to be spent on the relief of the poor could, even at that date, be most successfully introduced by the party which claimed specially to represent the democracy. To-day it requires perhaps something more, namely, a patriotic understanding between the leaders of the great political parties. It is difficult to exaggerate the danger and inconvenience which confronts any Government, be it Whig or Tory, which seeks to legislate on this delicate subject in the face of a determined and hostile Opposition.







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